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AUTOMOTIVE MARKETING

The Marketing/Business Magazine For The Retail Aftermarket JULY 1988

THE AUTOMOTIVE PARTS & ACCESSORIES ASSOCIATION SHOW: CHICAGO, JULY 25-28

Retailers Say "No" To Recession

Mergers, Acquisitions, & LBOs: What Do They Mean To You?

Accessory Installation

Where Will You Find Employees In The Future?

Reps Make Hard Choices

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PUBLISHER'S NOTES

EXCITING TIMES

This is an exciting, but uneasy, time for our market.

Exciting, because of the high activity level within our industry: mergers and consolidations, and renewed energies. Uneasy, because when any business goes through this much change this quickly, people tend to feel a little unsettled. And with the APAA show upon us, the stage is set for a *most* interesting show for buyers and sellers.

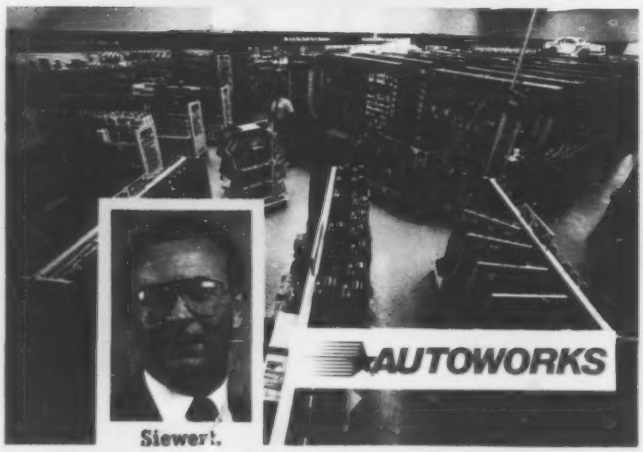
We've worked hard to bring you the information to settle some of that uneasiness in this Show issue. Senior news and feature editor John Wirebach has done his customary superb reporting on merger and acquisition activity within the retail parts chains. Research editor Philip Katcher has polled you, our readers, for your forecasts of the remainder of the year, and he's also analyzed the success of the much-touted superstores. Managing editor Gail Krueger-Nicholson has probed further into the problems of finding retail store employees. Editor Rosemarie Kilchin looks at the choices which manufacturer's reps are making in their businesses. Contributing editor David Evans assesses the DIYability of today's cars, and contributing editor Edward Kaufman ponders the market for accessory installation.

See you in Chicago for the Show. Visit us at Booth 4516. ■

Sarah Frankson
Publisher

IN-STORE FOCUS

AUTOWORKS (Kansas City/ Omaha markets, Div. Northern Automotive Corp.)
Headquarters: POB 6030, Phoenix, AZ 85005.
(602) 265-9200.
Stores: 9
Company has 830 total units.
Sales: Evolving chain/NA
Average SKUs: 9,000
Founded: 1917 as Schuck's Auto Supply



Siewert.

It's impossible to talk about the Autoworks stores springing up in the Midwest without tracing their family history.

In December 1986, Schuck's Auto Supply, a Division of Northern Pacific Corp., Seattle, itself a division of Trump Capital Group, NY (no relation to the hotel/casino magnate), purchased the Lucky Stores automotive division – and added the 380 stores operating as Checker Auto Parts and Kragen Auto Parts for a total of 476. The operation became Checker/Schuck's/Kragen, and added a corporate name, Northern Automotive Corp.

In January 1988, Northern Automotive Corp. made two acquisitions. It bought the eight store U-Save Auto Parts chain based in Southern California from Merv York, and the 252-store Auto Works chain from Perry Drug Co., Pontiac, MI. In early May, Northern completed another acquisition: the 57-store Crown Auto chain based in Minneapolis.

The U-Save chain is now called Kragen Autoworks. New stores opening in the Western Checker/Schuck's/Kragen area will also feature Autoworks as part of their name.

Perry's Auto Works and Crown operate as separate divisions in ten states. Most of the Crown stores, unlike the others in the chain, have service bays.

That brings us to Kansas City – home turf of Western Auto (itself recently acquired by Sears Roebuck), a new market area for Northern. Nine stores were already open at press time, six Autoworks outlets in the Kansas City market area and three in the Omaha, NB/Council Bluffs, IA area. More are planned, and more in nearby markets, like Wichita, KS and Grand Island, NB.

How does the chain plan to compete with the other aftermarket chains in the area?

Company spokesman Fred Nelson said, "Location is extremely important. Our philosophy is to find the best available sites on well-trafficked thoroughfares, as many freestanding as possible. If the customer is used to a certain buying pattern, it makes sense to position ourselves in that pattern."

The chain uses no ad blitzes to lure customers. Nelson said, "We advertise basically the same in Kansas City as elsewhere. We rely on exterior graphics. Our print advertising centers around newspaper ROP and inserts, and in some cases, direct mail." What the chain does do to attract and keep customers, he said, is to emphasize customer service.

"We pride ourselves on customer service," Nelson said. "'Take care of the customer.' That's our attitude. This comes from Dan Siewert (president/ CEO of Northern Automotive Corp.) and is emulated by all of our people."

The stores themselves are a big customer lure. There are two basic models – the high-tech racetrack motif, and the straight track, higher security store, offered in six variations, depending on square footage. But, said Nelson, "nine out of ten of our new stores will have the racetrack design."

Each racetrack store, with red, white and blue graphics, features a cage (literally a cage) for its hard parts department. The parts counter itself is not visible from the front door. The front door checkout and product show units are placed to draw the customer through all merchandise areas.

The first impression is one of very clean, very airy space – the white ceilings are approximately 19' high. White geodesic gridwork hanging from the ceiling holds signage that clearly identifies each department. There is no chemical wall: those SKUs are stacked on gondolas. Bikes hang on a wall near the front door.

The Autoworks straight track store has no parts cage, but an elevated parts counter at the store's rear, from which the entire store is visible, adding to security. Aisles are angled.

Promotional merchandising in Autoworks is flexible for reaction to local competition.

The company's business cards boast of being "The Nation's Largest Auto Parts Chain." It's growing rapidly to meet Siewert's goal of dominant leadership in the industry, and a national operation.

DETAIL

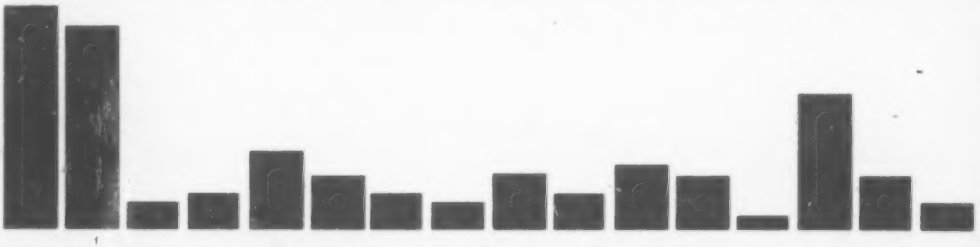
80%

of jobbers with annual sales over $1 million use computers in their businesses, compared to only 40% of those with sales under $500,000, according to the Motor and Equipment Manufacturers Association.

PROFILE: TUNE-UP PRODUCT DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed tune-up products during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	91.2%	8.8%	14.3%	35.2%	24.4%	14.6%	11.5%	25.0%	15.3%	29.4%	24.1%	5.0%	61.0%	20.1%	12.2



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THE 1988 *AUTOMOTIVE MARKETING* MARKETBASKET

To determine the price movement, *Automotive Marketing* created a "marketbasket" of the best prices available for nine popular aftermarket products. We determine the best available price of each item in each marketing area each month to come up with an average marketbasket index.The products include a non-resistor spark plug; an oil filter; a can of 10W30 motor oil; a can of paste wax; an AM/FM/Cassette radio; a gas-charged shock absorber; a gallon of antifreeze/coolant; a pair of windshield wiper refills; and a 40-month-warranty battery. These products are usually on sale somewhere within each marketing area, which we define by their unique geographic, meteorological, and consumer characteristics.

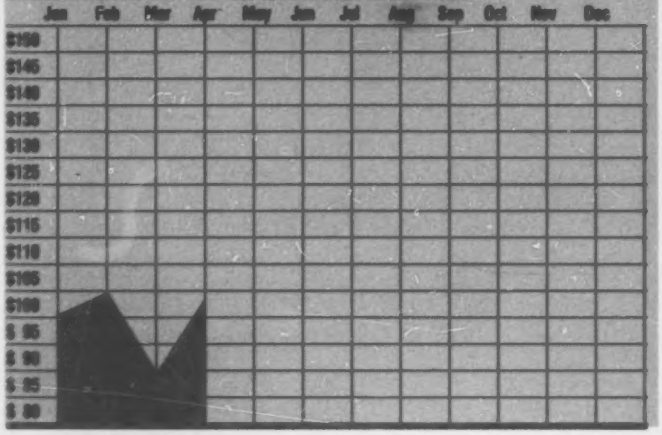
APRIL 1988 NATIONAL AVERAGE MARKETBASKET PRICES

A non-resistor spark plug:	$ .72	A gas-charged shock:	$ 14.86
An oil filter:	2.31	One gallon of antifreeze:	3.59
A can of 10W30 oil:	.74	One pair of wiper refills:	2.41
A can of paste wax:	2.99	A 40-month battery:	31.16
An AM/FM/Cassette:	46.17	Total:	$104.86

APRIL 1988 AM MARKETBASKET PRICES BY MARKETING AREA

1. Greenbelt East:	$136.29	9. Desert West:	104.95
2. Megapolis East:	88.71	10. Greenbelt West:	123.08
3. Smokestack East:	$ 87.99		
4. Old South:	102.76		
5. Caribbean South:	115.84		
6. Smokestack Central:	97.55		
7. Grainbelt Central:	98.46		
8. Spanish West:	92.76		

NATIONAL AVERAGE MONTHLY 1988 AFTERMARKET BASKET PRICES



DOW JONES 65 COMPOSITE STOCKS

Dow Jones 65 composite stock and *AM's* 17 aftermarket stock price as of June 3.

AM 17 COMPOSITE AFTERMARKET STOCKS

1988 AFTERMARKET STOCK PRICES

The prices below are the high and low offered and paid for aftermarket-related common stocks for the 52 week period prior to June 3.

	Exchange	52-week High	52-week Low	5/3 Quote	P-E Ratio
Action Auto	NASDAQ	9	3 ¾	7 ⅜	21
Allied Signal	NYSE	48 ¾	26	33 ¼	10
Armor All	NASDAQ	27 ¼	10 ¾	20 ⅛	19
Arvin	NYSE	37 ⅜	14 ¾	19 ⅝	--
Audiovox	AMX	15 ⅝	4 ⅞	6 ½	8
AutoSpa	NASDAQ	4 ⅝	⅞	2 ⅛	1514
Big Bear	NASDAQ	26 ⅜	14 ⅞	24 ¼	12
Chief Auto	NASDAQ	18	5 ⅜	10 ¼	675
Champ Spk Plg	NYSE	16 ⅜	7 ⅞	12	24
Chevron	NYSE	64 ⅝	32	50 ⅜	13
Chrysler	NYSE	48	19 ⅝	21 ⅞	4
Coachmen	NYSE	12 ¾	6 ⅝	11	550
Cooper	NYSE	74 ½	39	59 ⅛	17
Dana Corp.	NYSE	54 ¼	27 ½	37 ½	11
Duralee	NASDAQ	14 ¼	7 ½	13 ¾	15
Echlin	NYSE	19 ⅝	10 ¾	17 ⅛	20
Epsilon	NASDAQ	8 ⅜	4	6 ⅜	9
Ford	NYSE	56 ¼	30	49 ¼	5
GM	NYSE	94 ⅛	50	76 ¼	7
Genuine Parts	NYSE	44 ⅜	27 ¼	36 ¾	18
Gn Auto	AMX	6 ⅜	1 ⅜	1 ⅝	--
JP Industries	NYSE	24 ⅞	12	17 ¼	12
Lancaster Colony	NASDAQ	26	15 ¼	16 ¾	11
Masco	NYSE	39 ¼	18 ¾	28 ¾	16
Meyer, Fred	NASDAQ	17 ⅞	9 ½	13 ⅛	10
Mobil	NYSE	55	32	44 ⅞	12
Modine	NASDAQ	22 ¾	11 ¾	18 ¾	11
Mr. Gasket	NASDAQ	7 ¾	5 ⅛	5 ⅜	21
PACCAR	NASDAQ	78	43 ½	71	10
Pete Havoline	NYSE	49	24 ½	35	16
Pennzoil	NYSE	88	36 ½	74 ¼	98
Pep Boys	NYSE	18 ⅞	9 ½	11 ⅛	18
Quaker State	NYSE	28 ½	12 ⅞	23	--
Rite Aid	NYSE	46 ¼	26 ½	37	16
Sears	NYSE	59 ½	29 ¾	35 ⅝	9
Snap On	NYSE	46 ½	24 ¼	43	19
Stan Mtr Prod	NYSE	21	11 ⅛	12 ⅜	11
Stwgo	NYSE	5 ¾	2 ½	5 ⅛	--
Sun Co	NYSE	68	34	59 ½	17
Superior Ind	AMX	17 ½	8 ⅛	14	13
TBC Corp.	NASDAQ	15 ¼	3 ¾	14 ¾	12
TRW	NYSE	70	37	46 ¾	11
Tenneco	NYSE	62 ½	36 ⅛	46 ½	--
Texaco	NYSE	52 ½	26 ⅞	50	21
Trak Auto	NASDAQ	19	7	11	14
Triad Systems	NASDAQ	14 ¾	7 ½	11 ¼	14
Walbro	NASDAQ	32 ¾	16 ¾	31 ½	20
Wico	NYSE	43 ¼	26 ⅝	34 ⅜	11
Wynn	NYSE	30 ⅜	14 ½	19 ¾	49

(Circle 20 on Product Information Card) ⟶

eign Markets." Also on the program is American Insurance Underwriters' Emilio Iacobelli, speaking on product liability overseas. The moderator is Richard Singer of Singer Products.

For those not involved in exporting, APAA will hold a Town Meeting at 8:30 am where the APAA officers and staff will discuss any industry and association issues the audience wants to debate. Both the symposium and the Town Meeting will end in time for the Show opening at 9:30 am. Again, the Show closes at 5:00 pm.

Two hot topics are on Wednesday's agenda. At 8:30 am, a symposium on the light truck market will feature James Pedranti, Kenco Engineering, and Judith Broseker, APAA managing director of market research. The other hot topic is mergers and acquisitions featuring Joe Hrudka of Mr. Gasket; Doug Maehl, executive vice president of Checker/Schuck's/Kragen, and David Weiss of Marc Alan Associates.

Show doors open at 9:30 am until 5:00 pm. On Wednesday at 7:00 pm, APAA will hold its annual International Buyers Reception at the Chicago Hilton and Towers.

On Thursday, the final day of the Show, doors open at 9:30 am and close one hour earlier at 4:00 pm.

See you in Chicago. ■

What You Don't Know About The Law Can Hurt Your Business

As we prepared this issue, we decided to take a closer look at proposed (and enacted) changes in laws and regulations on the state and federal levels that will affect the way the aftermarket operates. For example, Proposition 65, which is now the law in California, will drastically change the way chemical suppliers operate and retailers sell chemicals in that state. At the national level, amendments to the Clean Air Act could throw 60% of emissions, ignition, and exhaust system work back to new car dealerships, according to some industry experts. Another move by the Environmental Protection Agency may eliminate DIY purchases of freon. In addition, Congress is considering several more laws that could lead to higher overhead for retailers as well as manufacturers.

The following section gives some details on these measures. We urge every member of the aftermarket to get involved in the fight to ensure that laws and regulations serve all of us fairly. ■

California Enacts Proposition 65

One item we'll follow closely is Proposition 65, the Safe Drinking Water and Toxic Enforcement Act, which is now the law in California. The law requires chemical sellers to display prominent notices that warn California consumers about certain products that contain chemicals known to the state to cause cancer or other reproductive harm or birth defects.

A company that fails to warn consumers faces fines of up to $2,500 per day for each violation. California has immediate-

AREAS EXCEEDING EPA OZONE STANDARDS

Ozone is the result of chemical reactions of nitrous oxides and volatile organic compounds. Some major sources are gasoline vapors, chemical solvents, and combustion products of various fuels. The chart shows the number of days metropolitan areas exceeded the Environmental Protection Agency's (EPA) National Ambient Air Quality Standards in 1987.

Metro Area	Days Over EPA Standard in 1987
Los Angeles	141.2
Bakersfield, CA	47.6
Fresno, CA	42.6
San Diego	26.8
Philadelphia	23.2
Visalia, CA	21.6
Houston	20.8
Modesto, CA	20.8
New York	19.2
Atlanta	15.0

Source: EPA

AREAS EXCEEDING EPA CARBON MONOXIDE STANDARDS

More than two-thirds of carbon monoxide comes from vehicle exhausts. It is highly poisonous, and the Environmental Protection Agency (EPA) has established what it considers safe levels of carbon monoxide. This chart shows the number of days metropolitan areas exceeded the EPA's National Ambient Air Quality Standards in 1987.

Metro Area	Days Over EPA Standard in 1987
New York	86
Spokane, WA	66
Los Angeles	40
Steubonville, OH	24
Denver, CO	24
Provo, UT	20
Las Vegas, NV	20
Fairbanks, AK	15
Albuquerque, NM	14
El Paso, TX	11
Phoenix, AR	11

Source: EPA

pendents. Approved by Senate committee; in House committee.

- Plant Closing Notification (HR 1122). Requires employers to give 90 day notice of closing or any layoff involving 50 or more workers. Further requires employers to consult with unions to determine possible alternatives to closing. Approved by House committee; not in Senate yet.
- High Risk Occupation Disease Notification & Prevention Act of 1987 (S 79 & HR 162). Would set up a Risk Assessment Board to find workers at risk from diseases associated with exposure to hazardous substances, notify them, and determine how to help them. Passed by House; in Senate committee. ■

ABOLISHING LEAD

Since the switch to catalytic converters and unleaded gasoline, the amount of lead emissions from vehicles has fallen off to virtually nothing. This chart traces the amount of lead emissions since 1970, measured in millions of metric tons.

Year	Total Lead Emissions (Millions Of Metric Tons)	Vehicle Lead Emissions (Millions Of Metric Tons)	% Unleaded Gas Sold
1970	203.8	156.0	6%
1975	147.0	114.7	21%
1980	70.6	56.4	49%
1985	21.0	0.9	68%

Source: EPA

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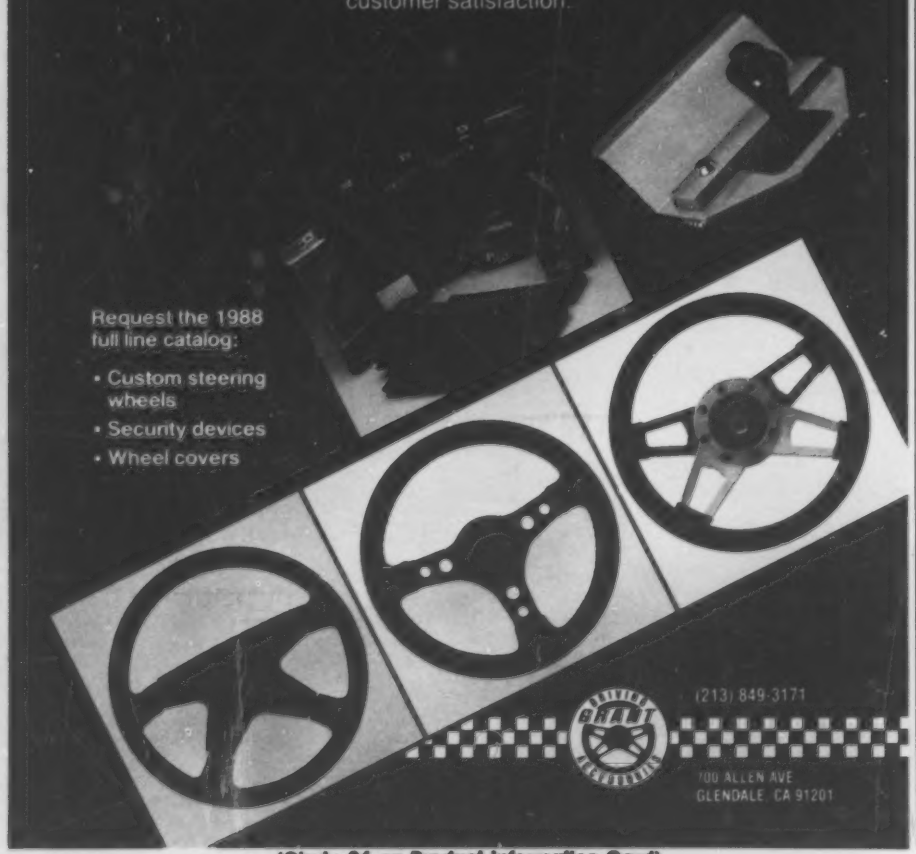

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RESPONSES

Getting Out Of The Rebate Game

Mel Lippman, executive vice president, DL Group, Banite Inc., Buffalo, NY, responds to our February Market Line story "The Rebate Debate."

I read with interest your February issue article about rebates. It sheds light on the seriousness of this industry problem.

"Rebates were a bright idea when they were exclusive to the initiating manufacturer within a product line, but they are now fading in brilliance. All the advantages are negated and the costs are going sky-high.

"Now that everyone uses rebates, they have become only a costly defense tactic.

"When rebates run simultaneously on several national brands that are interchangeable in the consumers' eye, no one can grow market share enough to cover the cost of setting up and redeeming a rebate. Furthermore, the retail business is now national rather than regional (due to the retail chain consolidation), and a manufacturer can no longer selectively use rebates to strengthen a region where he is weak.

"We are tired of the rebate game, and will be out of it during 1989. We can do so because it is easy to aggressively meet competitors' offers when they continue to misuse the rebate tactics and give away profits with no gain in sales.

"Rebates are the easiest offensive tactic to duplicate, much easier to copy than new packaging, new formulas, or long-term media campaigns.

"I believe most other far-thinking manufacturers will gladly be out of rebates in 1989. I believe they will use those funds to

1988 FORECAST

BULLISH ON THE FUTURE

Despite early reports, most retailers don't see a recession in our future.

by **Philip Katcher,** Research Editor

Do you want to know how business is going to be? Just ask retailers in the field. The *Automotive Marketing* Retail Panel thinks that there's going to be growth for their firms in the near future—73% of them said so.

Why? J.D. Carlon, Arnold Auto Supply, Arnold, CA, gave one reason: even greater car usage in the future than now. "There are more people leaving urban areas," he pointed out, "and moving to rural locations such as ours, commuting as many as 150 miles to work just so they can live where it's a little cheaper and a whole lot nicer."

Getting down to specifics, 54% of the Retail Panel believe that 1988 will be "somewhat better" in terms of dollar sales than 1987. A quarter of the entire panel goes further than that, believing that the year's dollar sales will be "much better" than last year. In fact, 63% say their dollar sales as of April 1988 were "somewhat better" than they were in April 1987, while 21% say they are "much better."

Retailers who met at the annual convention of the National Retail Merchants Association (NRMA), in New York, in early 1988 also reported that they didn't believe that there will be a recession in 1988. The retailers did, however, worry about a number of other problems. These were the results of a survey conducted at the NRMA convention by Touche Ross and the Garr Consulting Group Inc.

More than half (56%) said that the U.S. economy will remain the same in 1988 as in 1987, and only 24% said that a recession will take place during the year. Most economists predict a recession to start some time during this year.

The retailers were even more bullish about their own businesses. In all, for 1988, 83% said business would grow by 3% or more, while more than half (55%) said sales would jump by more than 6%.

Retailers aren't the only ones seeing a happy aftermarket future. For example, Mark Kalupa, chairman, president, and CEO of ARA Manufacturing Co., Grand Prairie, TX, sees a stronger second half of 1988 and a better 1989 in store for the automotive aftermarket. According to him, there are several positive signs for the total aftermarket, including the fact that cars remain on the road longer and, the same point Carlon makes, a growth in the number of miles cars are driven.

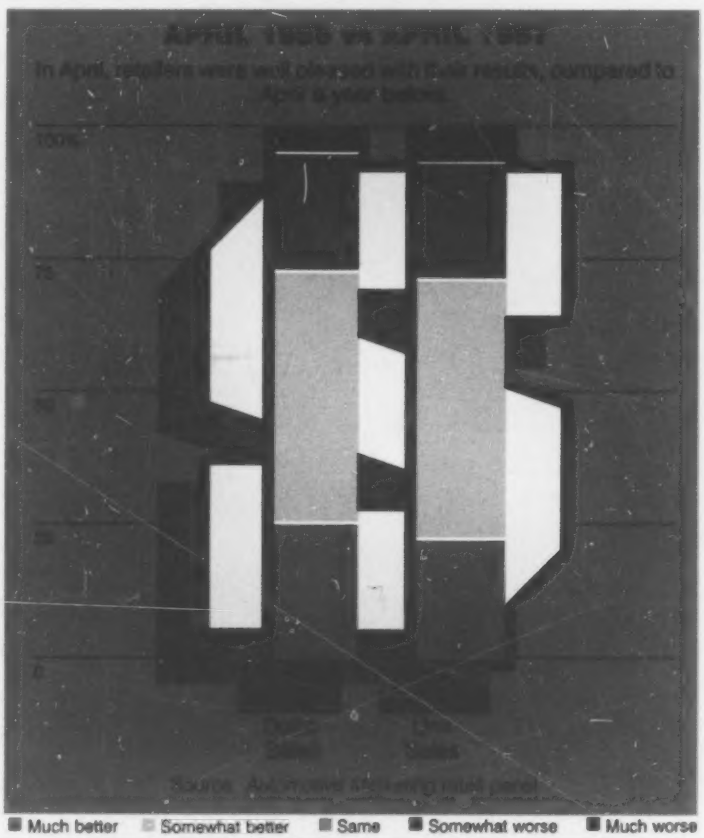
"Despite the higher prices of new cars, the actual cost of car ownership has declined in the last six years, due to lower fuel costs, reduced financing rates, and a greater overall efficiency," Kalupa said, adding, "This translates into a stronger aftermarket."

Nikko Securities Co. International, a Japanese firm, said that there is a strong possibility that there will be returns of as high as 20-25% on investments in companies selling replacement parts over the next six to 12 months. This prediction appeared in financial columnist Dan Dorman's April 3 *USA Today* column. According to him, Nikko said, "It's time for the replacement market to come into greater play because more repairs will be needed. And that means more zing in unit sales, dollar volume and earnings for the companies catering to this market."

Nikko's analyst Kathleen Heaney was quoted as saying auto parts sales should increase 8-9% in each of the next two years. Earnings growth should jump 15% in 1988, and 12-15% the following year.

At least one economic forecasting company does not totally agree with these optimistic predictions. There will be only minimal retail sales growth in metropolitan areas through the rest of 1988, according to Meretrends, a Columbus, OH, information and consulting service.

According to a company spokesman, "During 1988, we anticipate that the nation will experience an economic slowdown, with the possibility of one or two quarters of negative GNP (Gross National Product) growth. However, we do not expect a full-



1988 FORECAST

blown recession, since few substantial imbalances currently exist or are likely to develop during the year."

Meretrends sees the worst retail performances to be chalked up in Illinois, Indiana, Michigan, Ohio, Minnesota, Missouri, and Wisconsin. No or slow growth is projected for New Jersey, Louisiana, New York, and Pennsylvania during the same period. Declines in constant dollar sales (adjusted for inflation) for 1988 are seen for the Baltimore, Chicago, Cleveland, Dallas, Detroit, Ft. Lauderdale, FL, Kansas City, Milwaukee, Minneapolis, Pittsburgh, and St. Louis metropolitan areas.

Lewis Edwards of Edwards & Son, Pahokee, FL, agrees. "I see a rather stale economy for the next couple of years."

Jay N. Woodworth, vice president and senior domestic economist for the Bankers Trust, New York, told a recent Eastern regional meeting of the Society of Automotive Analysts that "in the next 24 months, we will have an onset of economic recession." He expected car sales to drop some 25% during the recession.

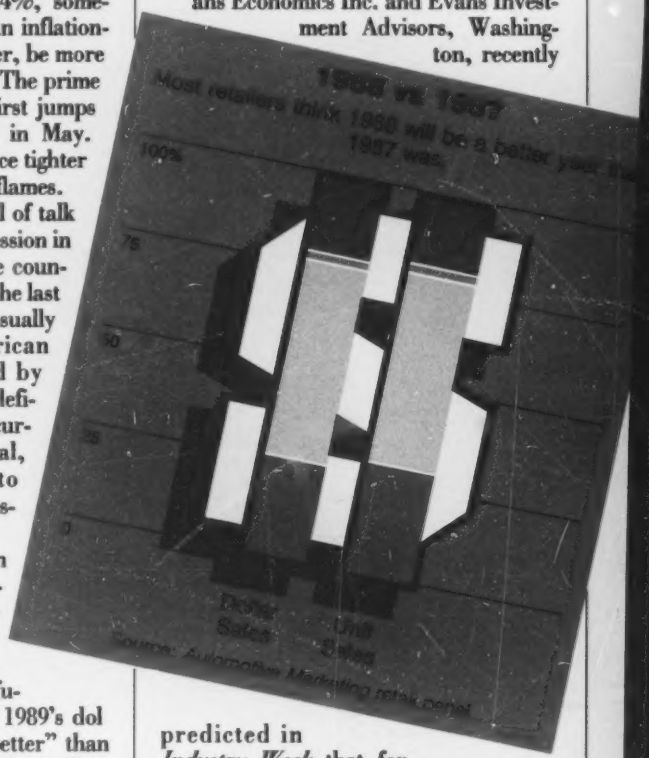
Those who worry about a potential recession point to signs that indicate one is indeed possible. The seasonally adjusted annual rate of March consumer prices, for example, rose 6.4%, something that could well trigger an inflationary spiral. This could, however, be more than offset by the prime rate. The prime rate rose to 9%, one of the first jumps it's made for some months, in May. Higher interest rates, and hence tighter money, dampen inflationary flames.

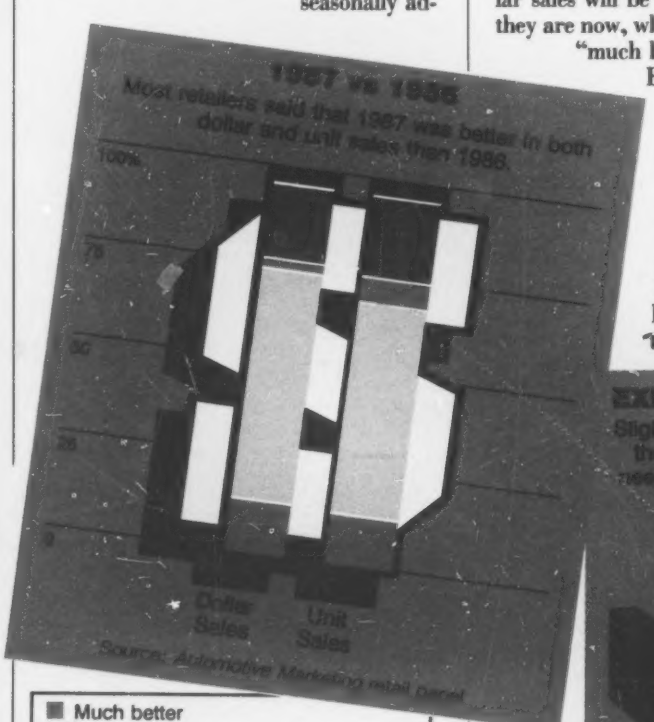
There has been a great deal of talk about the possibilities of a recession in the near future. After all, the country's prosperous period since the last real recession has been unusually long. Generally, the American economy has been marked by rises, followed by drops, in definite cycles. The length of the current rising period is unusual, and that alone is enough to cause many to predict a recession soon.

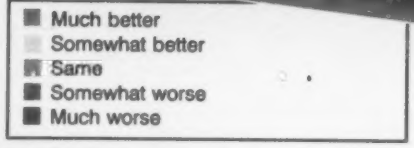
This possibility, at least in the aftermarket, is largely discounted. In all, 60% of the *Automotive Marketing* Retail Panel said they do not foresee a recession in the near future. Instead, 63% said that 1989's dollar sales will be "somewhat better" than they are now, while 21% said they will be "much better."

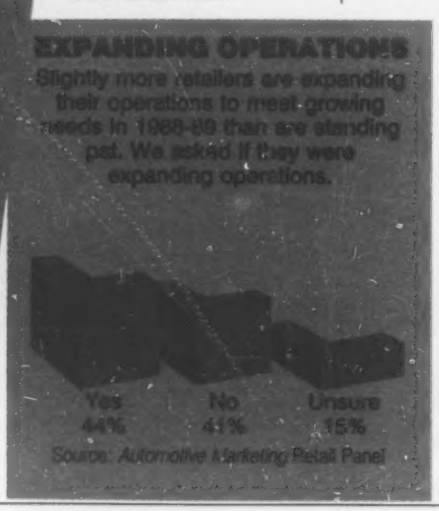
Even were there to be a recession, it may not hurt the aftermarket much. That's because, traditionally, new car sales drop during a recession while sales of products that keep cars on the road longer grow at a faster than usual rate.

Dr. Michael K. Evans, president of Evans Economics Inc. and Evans Investment Advisors, Washington, recently predicted in *Industry Week* that for the next decade inflation will remain in the 4-5% range; interest rates will trend up; stock prices will be sluggish; the dollar will decline 4-5% per year relative to the yen and the mark; gold and silver prices will mirror the rise of the yen and the mark; and housing prices will continue to outperform the rate of inflation.








EXPANDING OPERATIONS
Slightly more retailers are expanding their operations to meet growing needs in 1988-89 than are standing pat. We asked if they were expanding operations.
Yes 44%
No 41%
Unsure 15%
Source: Automotive Marketing Retail Panel

Woodworth of Bankers Trust said that by 1992 the rate of exchange from yen to dollars will be 75 or 80 to one, down from the 115 to the dollar he predicted by the end of 1988. The current exchange rate is 80 to one.

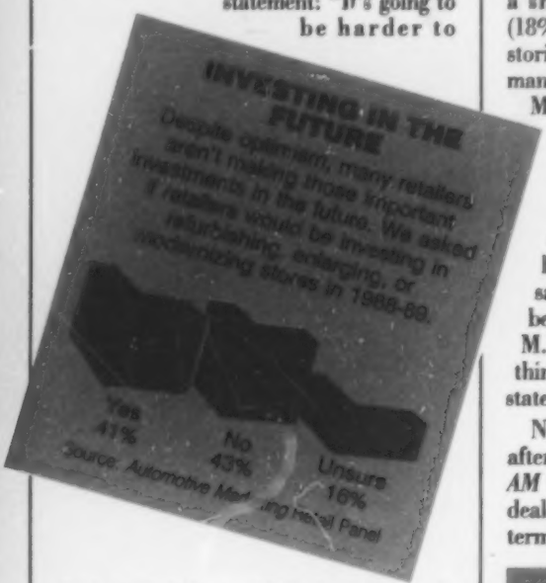
Despite the predicted slower 1988, Meretrends "expects the economy to once again be poised for a period of solid growth, with GNP projected to record favorable constant dollar advances of between 3% and 4%, (from 1898) through 1991." This growth, the company said, will not reach the high levels experienced during 1983-86, however. Meretrends also expects inflation to remain low through 1992, albeit not as modest as 1986.

Meretrends sees the civilian unemployment rate falling to below 5% by 1992, as the nation's

1988 FORECAST

labor market tightens. This means there will be more people on the streets with money in their pockets to spend on their cars.

But, the flip side of that is that it means there also will be fewer people on the street looking for jobs. Those who still are unemployed will find it easier to pick and chose exactly the jobs they want—and these may not be auto parts stores staffer or countermen positions that appear poor paying, unexciting, and dead end. The *Automotive Marketing* Retail Panel found this to be a major area of concern for them. In all, 60% agreed with the statement: "It's going to be harder to find good help in 1989 than it was in 1987."


INVESTING IN THE FUTURE
Despite optimism, many retailers aren't making those important investments in the future. We asked if retailers would be investing in refurbishing, enlarging, or modernizing stores in 1988-89.
Yes 41%
No 43%
Unsure 16%
Source: Automotive Marketing Retail Panel

In fact, Joseph Francano, Sr., of Francano Tire Sales, Philadelphia, worries most about "getting good help" in the near future.

Another negative aspect of the tight labor market is rising salaries. In many areas, the so-called minimum wage is more like a bottom level wage, not an accurate picture of low wages. Starters in many retailing establishments are paid around $4.75 an hour, while some new fast food clerks are said to receive as much as $10 an hour in affluent suburbs. These high pay rates also feed a potential inflation.

Retailers have other long range worries as well. Parts proliferation continues to be one. Marvin L. Harris, Windsor Auto Parts Inc., Windsor, CO, said he worries about "the need for more inventory at a time when sales will not increase enough to cover the cost."

Retailers polled at the NRMA meeting did express concern over a number of potentially troublesome legislative bills and other problems. In all, 80% thought that trade protection measures will exert a major or moderate impact on retailing in the year. Other potential legislation that may affect retailing, they felt, were credit card finance cost containment (66%), parental leave bills (73%), and mandated health insurance (63%). On top of this, retailers say they worry about a shortage of hourly employees (18%), poor service (18%), over storing (17%), and a shortage of management talent (16%).

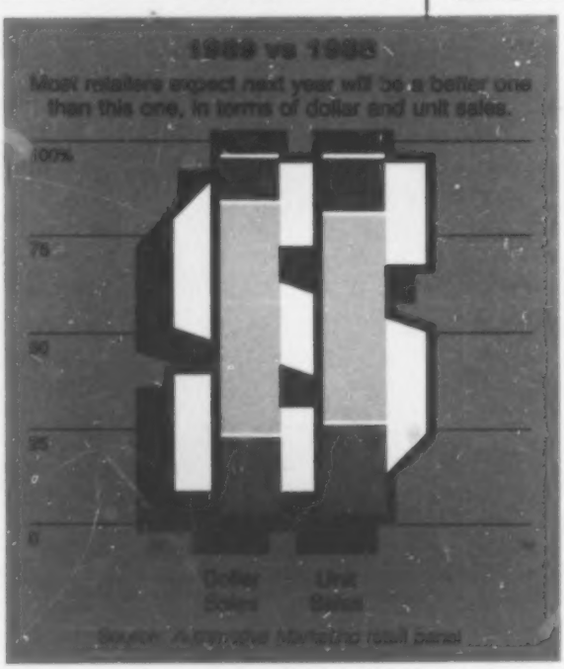
Many retailers believe that taxes will increase to help solve federal budget deficit problems. Most agree that the present tax structure has not helped—not even helped the business population it was intended to help. In all, 53% of the Retail Panel said that the changed tax laws have been bad for business. However, Joe M. Weller, Arrow Auto Store, Paris, IL, thinks "a tax increase will hurt, whether state or federal."

New car dealers may well bite into the aftermarket's business. In all, 60% of the *AM* Retail Panel agreed that "new car dealers will get an increasing share of aftermarket business in the near future."

SHORT-TERM GROWTH
Most retailers agreed when we said: "We're looking forward to growth in the near future."
Yes 73%
No 11%
Unsure 16%
Source: Automotive Marketing Retail Panel

Thomas M. Ingram, Ingram Auto Parts, Winston-Salem, NC, is also concerned about "legislation allowing dealers to increase warranty service." And, of course, the proposed ten year/100,000 miles warranty worries retailers across the board. This leads Art Badgley, Art's Precision Automotive, Godfrey, IL, to predict a "lifetime OEM warranty on emission equipment."

These problems are not unsurmountable, it appears to most retailers. And, this being an election year when minds are on government officials, it should come as no surprise that most look towards electing right-minded government officials to solve these problems.



In addition to voting right, retailers have personal plans to ensure growth.

NRMA members said that containing costs would be a major project for retailers in 1988. More than half (52%) planned to reduce operating expenses in 1988. Of them, most planned cuts in payroll costs at stores (24%) or at headquarters (20%) and inventory levels (24%).

Most retailers, however, are just planning to "go with the flow," changing their strategies as events change. In a period of economic uncertainty, that seems to be as good a plan as any. ■

(Circle 130 on Product Information Card)

WHY ACCESSORY INSTALLATION IS A GROWING BUSINESS

You don't have to install accessories to sell them, but it helps.

by **Edward L. Kaufman,**
Contributing Editor

Is it becoming a "must" to offer installation service to succeed in the automotive accessory business?

The answer is "no, not yet." And the answer may never be "yes—it's a must" because there is still a vast market for interior and exterior accessories—everything from stereo speakers to truck running boards—which can be installed by DIYers. But volume parts retailers have to consider that the proportion of accessory customers asking for professional installation appears to be increasing. (For a look as some of the reasons why, see our story "Why Accessory Installation Is Growing.")

Increasing Demand for Installation

Demand for installation service on automotive accessories is up, according to both chain stores that sell accessories on a "take-out" basis and an installed basis, and the operators of accessory boutiques. Offering installation service is clearly an advantage in selling accessories. Even chains which do not provide installation acknowledge that point. A top executive for a major parts and accessories chain said, "For us, the accessories business is good; possibly because we are increasing our advertising expenditures on accessories. We do not offer installation service and we don't intend to. The demand for service is there, no question about it. We know that we could sell more accessories if we could install them; but we lack the space and time to do this."

The questions are, then: Should chains that sell accessories to DIYers make installation available? Should they, for example, plan on including space for installation services in the next stores they build or remodel? Should they make the effort to hire and train accessory installers? Should they consider buying installation service on a contract basis? And, what can mass merchandisers and auto chain stores learn from the experience of the accessory specialists who feature installation? This month, we'll examine the installed accessories business from the viewpoints of:

- Chain stores, including automotive chain stores which sell accessories on both carry-out and installed bases.
- Accessory boutiques.
- Specialty service chains.

Chain Stores & Installation

Some of the exterior and interior accessories sold and installed by chain stores include custom wheels, side body molding and running boards, splash guards, bed liners, bug deflectors, lighting, stereo speakers and tuners, cruise controls and semi-fitted seat covers. The attitudes of automotive chains that install these accessories range from cautious to enthusiastic. The enthusiastic chains feel offering installation gives them significant advantage and many intend to expand their installation capabilities.

Crown Auto, Eden Prairie, MN, (recently acquired by Northern Automotive) has service bays at 55 of its 57 stores. Crown's service technicians mount and balance tires, replace a wide variety of hard parts and, when asked, install interior and exterior accessories.

"Most of our accessories are sold on a carry-out basis. Our customers are not afraid to tackle jobs which involve bolting on parts or stringing a little wire. Bolt-on accessories like splash guards and running boards are largely carry-out items as are speakers and stereo tuners," Crown Auto president Floyd Adelman said.

"When it comes to more complex work—cutting a hole in the top of the car for a sunroof, or installing cruise control—installation service is an asset, a safety net. People may prefer to do-it-themselves, but it is sure nice to know that service is available," Adelman said.

Guarantee Auto, Columbus, IN, (recently acquired by Nationwise) has 71 stores that all do bolt-on installation of light truck accessories such as running boards. In addition, about one-third of the Guarantee Auto stores do installation of "cut-in" accessories such as sunroofs and pass-through windows as well as electronic accessories. The chain has not, up to this point, felt it necessary to install complex accessories at all of its outlets.

Action Auto chain, Flint, MI, has service bays at 45 of its 62 stores. "We install some type of accessory at each of the 45 service locations, depending upon the ability of the personnel to do the work," Action Auto's Dick Sabo said. That is, some stores might install running boards but not pass-through windows; some might install stereo speakers but not cruise controls. It depends on specific capabilities at each location because in Michigan, mechanics are certified for specific work. A mechanic may be certified for brakes but not be certified for putting a pass-through window in a pick-up truck.

However, Action Auto has as one of its company goals, "to install everything we sell. We think that installation gives us an edge in the market place—a big advantage over stores which just sell on a take-away basis," Sabo said.

Chain stores which install accessories as well as sell them over the counter have two options on pricing:

- Add an open-ended labor charge to the retail carry-out price, the amount varying due to actual installation time.
- Offer flat prices on installed products, determined by experience. For instance, a $69 price on installed running boards, including installation, vs. a $49 carry-out price.

Based on a limited survey on this point, the general practice appears to be the latter option, flat prices. This involves analysis of average labor hours for installation. Mistakes may be made in calculating labor time, and pricing may have to be reviewed and revised periodically. But, the undeniable consumer appeal of flat pricing offsets this potential negative. Most consumers prefer to know up front what they will pay.

Profile of an Accessory Boutique

In the early 1970s, Jim Smoot opened an auto accessory boutique in St. Louis. By 1975, he had two boutiques, each

ACCESSORY INSTALLATION

grossing $500,000, in stores occupying no more than 1,500 sq. ft.

In *St. Louis*—one of the most conservative markets in the U.S.?

Yes. "Precisely because St. Louis is so conservative, other businessmen were confident that we were onto something. We started franchising our Fantasy Coachworks stores in 1982 and 1983. Today, we have 12 stores in Missouri, Illinois, Tennessee, Oklahoma, Texas and Florida; another 18 stores are on the drawing board," Smoot said.

The kinds of auto accessories sold by Fantasy Coachworks are not unique. The product line includes sunroofs, seat covers, fog and driving lights, ground effects, custom steering wheels, running boards, window louvers, sports car bras, radar detectors and stereos. It is the quality of the merchandise and the selling environment and service which distinguishes Fantasy Coachwork stores.

"Service is the key! We don't attempt to compete with DIY-oriented discount stores. They sell on only one basis: price. We sell only top-of-the-line products, we display them in a very attractive fashion

WHY ACCESSORY INSTALLATION IS GROWING

The installed accessory business is growing while the DIY end of the business seems to be shrinking. The main factors are changes in demographics and changes in technology.

An increasing percentage of vehicle owners are women. They are, traditionally, less inclined to be DIYers than men. In addition, the vehicle-owning population is aging. An increasing percentage of car owners are older, have more money to spend on installation, and have less time or inclination to do their own accessory installation. In addition, the increased complexity of the automobile has also caused some consumers to go to professional installers, especially for electronic accessories.

These trends benefit:

1. Accessory boutiques and car electronics specialists which feature professional installation, and
2. Those mass merchandisers and auto chain stores with the facilities and trained personnel to perform competent installation.

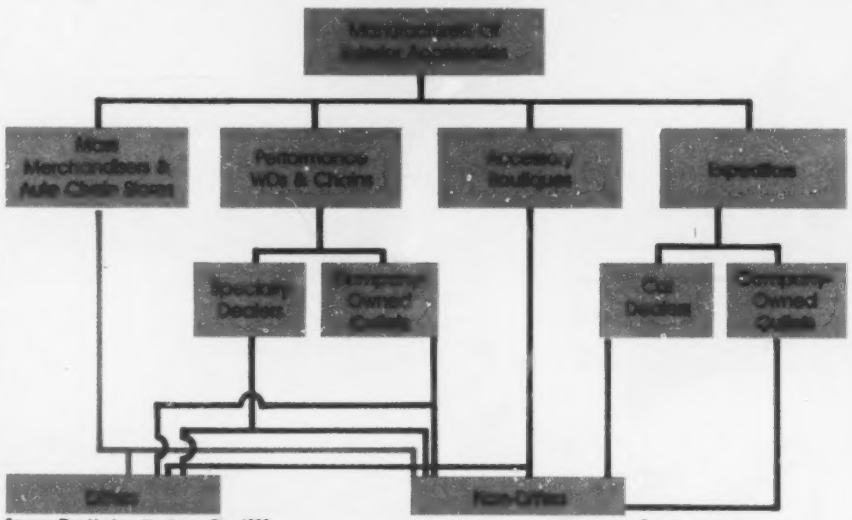
In addition to being able to reach a wider range of customers for accessories, those outlets which can sell accessories on an installed basis are able to reach higher price points and sell more of the larger, big-ticket items.

However, sales of domestic and foreign-make pick-up trucks continue to increase at rapid rates (relative to passenger cars), and the increase in the pick-up truck population has been a boon to retailers of exterior accessories. That's because these light trucks, for the most part, come "bare-bones" and have few if any exterior dress-up accessory options. These trucks attract the kinds of DIYers who like to dress-up and individualize their vehicles and who are not afraid to do-it-themselves.

CHANNELS OF DISTRIBUTION FOR EXTERIOR ACCESSORIES

There are four channels by which accessories manufacturers reach DIY and service-oriented customers. Few manufacturers serve all channels with equal success; they tend to sort themselves out by price points. For example, manufacturers who can reach the price points which attract the most price-minded DIYers tend to sell to mass merchandisers and auto chain stores. At the other end of the market, some manufacturers who provide higher-priced products deal with professional installers.

These days, vehicle owners are spending more of their disposable dollars on the outsides of their rigs. Going with the flow, "performance" WDs and their outlets are emphasizing appearance accessories, the same kind of items sold by the auto chain stores, but not necessarily the same makes with the same price points. They have merchandise for price-minded shoppers; however, as specialists, they tend to be more successful in selling their clientele up to the higher priced makes. As with the auto chain stores and mass merchandisers, the clientele of the specialty dealers tends to be heavily DIY. But, here too, there is a noticeable increase in demand for professional installation.



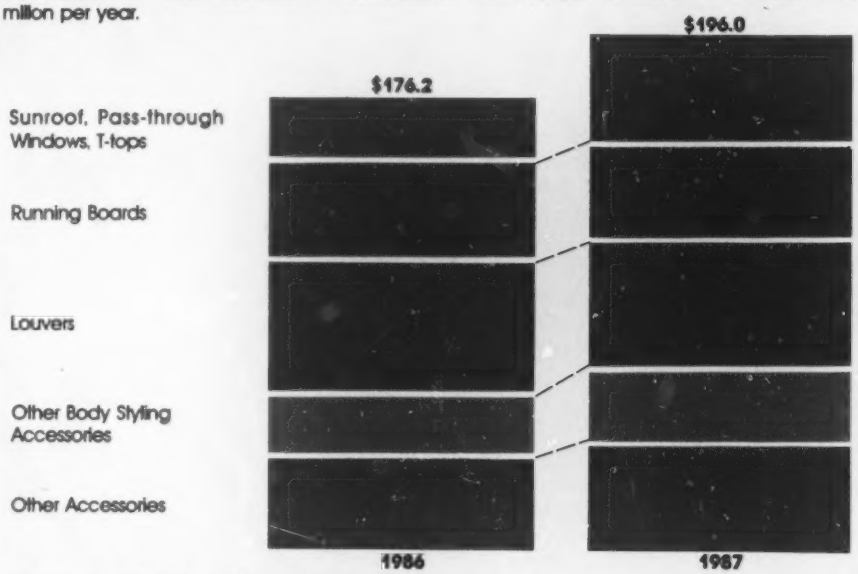
Source: The Lindsey-Kaufman Co., 1988

PROPORTIONS OF ESTIMATED SALES OF AUTOMOTIVE ACCESSORIES

(At the manufacturers' level in millions of dollars)

The Specialty Equipment Marketing Association (SEMA) has data on manufacturers' level sales of some of the more important categories of appearance accessories. The overall sales increase was from an estimated $176.2 million in 1986 to $196 million in 1987, an increase of 11.2% or about twice as much as the growth rate for the aftermarket as a whole.

The figure from SEMA does not include every conceivable type of exterior accessories. For example, it doesn not include estimates for truck bedliners which account for about sales of about $100 million per year.



Source: The Specialty Equipment Marketing Association (SEMA)

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environment, we have knowledgeable, courteous, smartly dressed sales people, and we install nearly everything we sell. In our opinion, service is the key to the auto accessory business. We approach it like any other high fashion retail business," Smoot said.

How does Fantasy Coachworks differ from other chains such as audio specialists and car detailers?

"We concentrate on high-fashion *appearance* accessories. We can install electronic items, but our stores lack the space to display extensive lines of stereo products and other electronic accessories. Our approach to the customer is different from that of Tidy Car franchises. Those shops started in car waxing and detailing and moved into the retailing of some accessory items. By comparison, the design and layout of our stores is more like that of a high-fashion apparel store. We devote about 500 sq. ft. in front of the store to an attractively decorated showroom. The rest of the space is used for product inventories and an installation bay," Smoot said.

Smoot has no trouble hiring or training competent installers of accessories. "Some of our installers have been car mechanics or auto body specialists. However, what really counts is attitude and motivation. Let's fact it, most of the things we install could be installed by do-it-yourselfers with a little patience and experience. Early in the game we fond that a lot of car owners lack the patience to do their own installation. Take car bras, for example; some car owners get frustrated it if takes them more than 15 minutes to put them on. Also, they get upset if they can't get a professional-looking job. Our installers tend to be handy people who have a professional attitude. They really care about doing the job right. With a Ettle experience, they do quality installations very quickly," Smoot said.

Like many chain stores which install accessories, boutiques such as Fantasy Coachworks sell on the basis of flat prices for product and installation. The company calculates the average number of labor hours for each type of installation. For example, Fantasy Coachworks charges an installed-product price of $89 on sports car bras. By comparison, the car owner might have to pay about $60 for the item in a DIY-oriented chain store. Another example, more labor intensive, is running boards. Fantasy Coachworks charges $199 per pair on an installed basis, vs. a chain store take-out price of $89.

Others Selling Service

According to some accessories manufacturers, one of the fastest-growing trends is the movement toward upscale, installation-oriented accessory boutiques like Fantasy. These boutiques sell direct to service-oriented vehicle owners.

Competing with the accessory boutiques for the upper income customers trade who demand professional installation are the expeditors. They sell to both car dealers (for whom they can provide installation service in addition to prod-

TRUCKS MEAN BIG BUSINESS

The wholesale sales of pick-up truck bed liners totaled about $100 million in 1987 and so far in 1988, Peter Marr, president of Owens-Classic, a Sturgis, MI, manufacturer of light truck accessories, said.

"Bed liners are big business," Marr said. So are all other types of truck accessories.

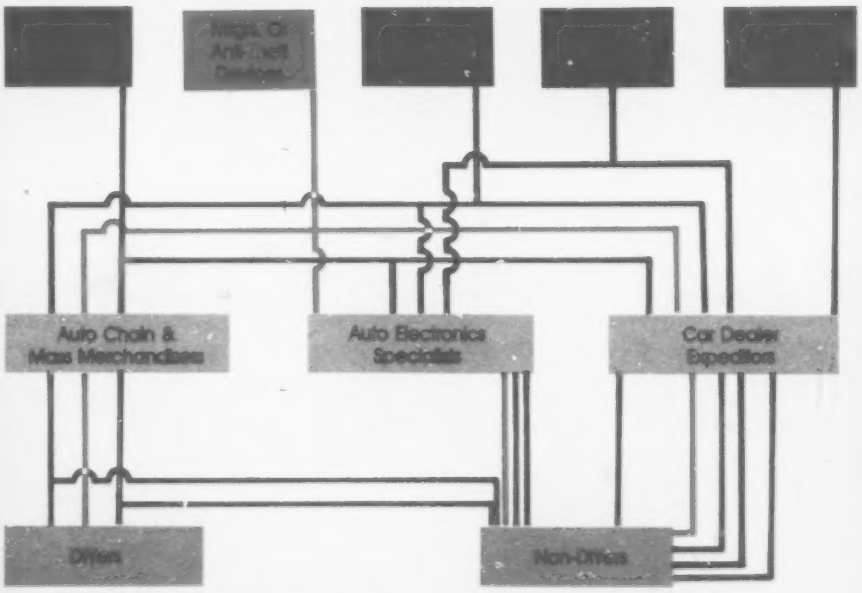
According to Marr, there can be considerable differences in growth prospects by product level. If sales of bed liners are large and relatively stable, sales of other light truck accessory categories can be more volatile. For example, Marr estimates that sale of running boards in 1987 were 25% higher than in 1986, that 1987 sales of brush guards and push guards doubled (on 1986 sales of about $25 million) and that 1987 sales of ground effects tripled (on 1986 sales of $4.5 million).

In contrast, sales of tailgate protectors showed no growth between 1986 and 1987. "This results from improvement in OE design; less need for truck owners to buy tailgate protectors in the aftermarket." Nevertheless, as sales of light trucks continue to boom, retailers can look forward to selling more of these types of accessories.

CHANNELS OF DISTRIBUTION FOR AUTOMOTIVE ELECTRICAL & ELECTRONIC ACCESSORIES

Although the primary audio customers for auto chain stores and mass merchandisers are DIYers, some chains are serving customers who demand professional installation. Not all auto chain stores have service bays at all, and not all of those are enthusiastic about installing audio products; they would rather use their service bays for faster turnover jobs such as tires or brakes.

Manufacturers of mobile air conditioners participate in this accessory market, mainly via sales of aftermarket type air conditioners to new and used car dealers via expeditors.



Source: The Lindsey-Kaufman Co., 1988

AUTOMOTIVE ELECTRONICS WITH THE GREATEST GROWTH PROSPECTS IN 1988-2000

	Estimated % Factory-Installed By 2000
40% Per Year Growth	
Electronic Restraints	7%
30-40% Per Year Growth	
Navigation Computers	55%
Cellular Phones	4%
20-30% Per Year Growth	
Sound Systems	100%
Premium Sound Systems	40%
Wiper Controls	17%
Intelligent Wiper Controls (Measure Rain Intensity)	48%
Anti-Lock Brake Systems	8%
Anti-Theft Systems	9%
Electronic Locks	10%
15-20% Per Year Growth	
Engine Controls	
– Electronic Fuel Injection	100%
– Speed Control	65%
Automatic Suspension Controls	10%
Seat Controls	10%

Source: The Freedonia Group Inc., Cleveland, based on its 1988 study "#210 OEM Automotive Electronics"

← (Circle 70 on Product Information Card)

ACCESSORY INSTALLATION

ucts) and to their own company-owned outlets.

In recent years, the ranks of expeditors who sell and install exterior accessories have increased due to the shrinking opportunities for car sound expeditors. Expeditors have experienced slower growth (if not actual declines) on car sound during the last five years because car makers have loaded their new vehicles with high quality sound systems. As a result, many expeditors who used to sell only electrical and electronic accessories have trained their personnel to install such "cut-in" accessories as sunroofs and pass-through windows.

Specialty Service & Accessories

Tidy Car, Boca Raton, FL, moved into installing accessories from its base in car detailing and "rejuvenating" services such as hand washing vehicle interiors and careful cleaning vehicle interiors.

The franchised stores are popular with female car owners. "We aim for the middle market because we feel there is great potential there. Most of our stores are in Middle America," president Dennis Pushkin said.

"We now do 20-25% of our business in installing accessories, including radar detectors, security systems, sunroofs, car bras, and window tinting," Pushkin said. Tidy Cars sells a security system with a remote activated alarm that has a special appeal to women, Pushkin said.

Another specialist that is now into accessory installation is Ziebart Corp., Troy, MI. Famous for its rust-proofing service, Ziebart got into the installed accessories business two years ago. Accessories already comprise 30% of its business.

"We entered accessories as a product diversification. One aim was to get new customers who would not ordinarily have their new vehicles rust-proofed," Jim Bender, general manager of branch operations, said. Ziebart also wanted to attract used car customers and spread its geographic base of operations. The shops install sunroofs, moldings, striping, window tinting, and security systems. In addition, the shops sell a line of truck accessories. Although some items are sold on a carry-out basis, most are installed.

Installation is probably a more important factor when it comes to selling electronic accessories than it is when selling bolt-on or appearance accessories. For a closer look at how retailers are doing selling and installing those products, see our story, "The Future Of Electronic Accessories." ■

THE FUTURE OF ELECTRONIC ACCESSORIES

There is one area of accessory sales and installation that particularly worries chain stores, and that is car sound.

Auto chains are still selling—and installing—car audio products but they sense problems ahead for this category. One executive said, "Our car sound business is still increasing. However, car makers are now loading their vehicles with high quality sound. As a result, there is less incentive for car owners to install aftermarket sound items. If this continues, there may be no more aftermarket sound business in five or ten years."

The auto chain stores installing sound items do so only at outlets where they have trained installers. Even then, the work performed, such as relatively uncomplicated installation of speakers, will be of the sort that many DIYers would attempt. In general, these outlets are leery about audio installation because of the trend to very complex, computer-controlled vehicles. What they fear is damaging a car's command computer while attempting to install an in-dash tape player or other audio items.

In contrast, expeditors and car electronic specialists pride themselves on capable personnel who can install complex, high-priced sound items.

The big question about the car sound business is, however, how much of it will the automakers leave for the independent aftermarket? Car sound is one of many products which originated in the aftermarket and was picked up by the car makers. When automobile manufacturers installed AM radios on 90% of their cars, the independent audio manufacturers responded by producing newer, better products for sale to the aftermarket such as superior FM/AM radios, then high fidelity speakers and tuners, upgraded annually; then audio tape players in a variety of formats; more recently, CD players.

But, virtually all of automakers are now aggressive about marketing high quality sound systems in their new cars. The result has been a sharp decline in sales of high priced audio equipment sold via the car dealers and electronic specialists who serve the new and nearly-new car market. The DIY side of the market, which is less dependent upon selling to buyers of new cars, has also been adversely affected. Moreover, some auto chain store executives believe that a long as car makers continue to load their new cars with high quality sound, the independent aftermarket is bound to shrink.

How large is the car sound business? That's a good question. There is no shortage of answers—they just don't happen to agree very much. Recently, the EIA (Electronic Industries Association) estimated 1987 retail sales of car audio, including both OEM and the aftermarket, at $3.8 billion. The EIA also estimated that the OEM accounted for $2.5 billion of the 1987 total, or 65.8%—leaving only $1.3 billion for the aftermarket.

Some other authorities believe that the OEM/aftermarket split is closer to 55/45%. If the latter estimate is accurate, it indicates that retail sales of car audio by the aftermarket amounted to $1.7 billion in 1987.

Despite the differences of opinion on the size of the car audio aftermarket, the consensus is that there will be tougher times ahead—particularly for the manufacturers of the higher quality items sold primarily via electronics specialists.

Jim Pedranti, vice president of Sparkomatic, Milford, PA, said, "The aftermarket sound business has shrunk slightly because of demographic changes, increases in the price of new cars, and better sound systems offered by car makers."

Pedranti also believes that the auto chain stores/mass merchandisers' share of the aftermarket audio business has shrunk from about 50% to 40% because more customers are buying higher-priced audio in installation-oriented outlets.

Some car sound makers are responding by putting more emphasis on the other lines of electronic products such as keyless entry systems, anti-theft devices, and cellular telephones, plus electro-mechanical items such as cruise control and power window openers and locks.

Manufacturers of mobile air conditioners participate in the electronic accessory market, with sales of aftermarket type air conditioners to new and used car dealers via expeditors. One AC manufacturer, ARA Manufacturing, Grand Prairie, TX, also sells a full line of electronic accessories.

ARA has its own network of 22 service centers; these sell and repair air conditioners. In addition, ARA is opening its own retail centers to sell and install a broad range of electronic accessories. Included are stereos, security systems, keyless entry, power windows and locks and cellular phones.

ARA is bullish about demand for installation of cellular phones and on demand for service of automotive electronic accessories. Frances Laidlaw, manager of market development for ARA, said, "Service is the growth segment in the automotive aftermarket. People are keeping their cars longer so there is greater need for replacement," she said.

"We are getting more into service because it is a growth area. Also, it is an area where we can differentiate ourselves. Manufacturers of air conditioners all buy their major components from the same sources. The thing that really differentiates us is our level of service. We had not focused on retail service in the past, but now we are—that's where the growth is."

WHO WILL MIND THE STORES?

Who will work in the aftermarket in the future? The experts say changes must come in how we recruit, retain, and train workers if the outlook is to be any brighter.

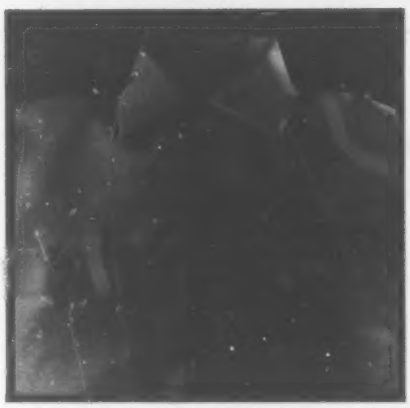
by **Gail Krueger-Nicholson,**
Managing Editor

In April, we looked at who is working in aftermarket stores today as sales clerks, stock room helpers, countermen, assistant managers, and other hourly employees. As the shortage of entry level workers becomes more serious, this article looks at the issue of who will work in the stores in the future.

The aftermarket workers of the future will have to be more technically oriented than ever before because of the extensive use of computers in the stores, in the service bays, and on the vehicles. And future aftermarket workers will have to be more customer and customer-service-oriented than their counterparts today, according to a profile of future workers developed by the White House Task Force On Human Resources Development.

The Task Force is a recently formed industry group that is trying to answer the question of who will work in the aftermarket tomorrow. The group, made up of members from the Automotive Parts & Accessories Association (APAA), the Automotive Warehouse Distributors Association (AWDA), the Motor Equipment Manufacturers Association (MEMA), the Automotive Service Industry Association (ASIA), and the Automotive Service Association (ASA), has met twice in Washington, DC, behind closed doors.

"So far, we have agreed that problems of recruiting, retaining, and training workers are nation-wide problems, and not just the problems of a particular association. It is beyond the scope of any one association. And, we have agreed that there is a need to study these problems," Jim Fine, chairman of the Task Force and past chairman of AWDA, said. As its first step, the group plans to identify materials the associations may already have on recruiting, retaining, and training workers and make sure the information is available to everybody in the aftermarket who needs it.



The worker profile that the Task Force has developed will be a hard role to fill based on today's hiring practices. Retail stores use the same recruitment techniques today that they did in 1950, according to a National Retail Merchants Association (NRMA) study called "An Assessment Of Labor Shortages In Retailing." (Some 88% of retailers still rely on "walk-ins" as their primary recruitment means.) The minimum wage is still the going rate in most aftermarket stores. (Some 40% of our Retail Panel members said the average starting wage for hourly help hired in their stores in 1988 will be between $3.50 and $4 per hour.) And, so far, only a few innovative ideas on how to find, hire, and keep those technically oriented, customer service-minded, aftermarket employees of the future have been generated by aftermarket employers. (For a look at how our Retail Panel members currently recruit and hire new employees, see the charts that accompany

WHO WILL MIND THE STORES:

HOW DO THEY FIND NEW EMPLOYEES?

We asked our Retail Panel: "What do you do when you need to hire new sales clerks, stock room helpers, countermen, and assistant managers?" Most stores turn to their current employees for help.

Put A Want Ad In The Local Newspaper	44%
Put A Help Wanted Sign In The Window	42
Get Referrals From Current Employees	65
Hire Relatives Of Current Employees	10
Recruit At Local High Schools And Vo-Tech Schools	47

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

HOW DO THEY INTERVIEW?

We asked our Retail Panel: "How long do you take to interview potential new sales clerks, stock room helpers, countermen, and assistant managers?"

More Than 1 Hour	9%
At Least 1 Hour	18
30 To 40 Minutes	21
15 To 30 Minutes	44
15 Minutes Or Less	12

We also asked our Retail Panel: "Do you interview potential new hires in person, over the phone, or both?"

In Person	83%
Over The Phone	10
Both	7

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES?

this article.)

But retail industry experts say that new ideas must come from somewhere. Here's a look at some of the changes—changes in attitudes, recruitment, training, and pay methods—that the experts say will have to be made in order to meet the aftermarket's future staffing needs.

The Management Connection

The first thing that will have to change is management's attitude toward employees, according to Sherman Titens, president of the Fromm Institute and strategic planning consultant for AWDA, Kansas City, MO.

"Management has to change. There has to be a new awareness of ourselves, a new value system that recognizes that the stores' overriding function is to satisfy the customer, not to sell parts. But that can not be done until we—the management—buy into that idea from the top down," Titens said.

"Buying into it" means using a different attitude when you hire, according to Titens. As long as management hires against a task, to just fill a job, there will be problems hiring quality people, he believes. "If the idea is just to fill a job, you will only get job fillers for employees," Titens said.

His words are echoed by Alice McCord, senior vice president for research with the NRMA. "Retailers have to know what they are looking for in an employee. Instead, they tend to just look at filling out a schedule with warm bodies and at nothing else. They should look for enthusiastic, action-oriented people, people who are interested in the product they sell. It is a harder way to hire, but worth it in the long run. The stores are open more hours, there are more part-time people, there are more part time attitudes. If you want better employees, you have to go out after them."

Titens believes he knows how to get those employees. "You have to change the focus of why you are hiring. So long as the focus is just on the job, you will have difficulties. It means saying to a potential hire, 'Let me you tell you what we're all about and where you will fit in' instead of 'I need a counterperson.' It means thinking of that next hire as somebody you'll bring along in the industry, not just a new guy behind the counter."

It means that management must buy into the idea that the new hire is a part of a bigger picture, Titens claimed. "If management doesn't buy into that idea, all they will ever be able to hire is a guy who can only get a job for $3.35, and he will leave as soon as somebody offers him $3.45," Titens said.

It's not all pie-in-the-sky, either. Some retailers have been very successful in doing just what Titens and McCord talked about. Trak Auto, based in Landover, MD, is one of them.

"We look to balance satisfaction, dissatisfaction, and motivation factors with each employee. We are not always successful because there are some things we can not change—like the need to have the stores staffed nights and weekends 92 hours per week," Dan Garcia, director of personnel for the 212-store Trak Auto chain, said. Trak has about 1,500 hourly employees, Garcia said.

"We try to help each individual reach a comfort level here. We try to help them, but they have to decide if they like the hours, like working with people. Some just don't like it and that causes a lot of turnovers. But those who stay know there really is a place here for them," Garcia said.

Looking For A Few Good Employees

So where will the aftermarket's future employees come from? Most aftermarket retailers feel tomorrow's hourly employees will probably come from the same places they come from today.

"In five years they will come from the traditional places that you would expect them to come from. You hear a lot about hiring the elderly, but for us the elderly are a small market, we get a few of them, but only a few," Trak's Garcia said.

But retailers will have to look beyond the "traditional" places if the aftermarket is to meet its future staffing needs, NRMA's McCord said. Recruitment—active, long-range recruitment—and inspired hiring techniques will be needed.

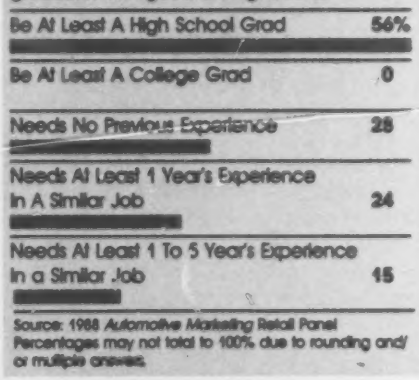
"Most retailers have not changed the way they hire—they depend on walk-ins. And that's fine, but they need to reach the dwindling number of young people through methods young people respond to such as radio and TV. So far, most retailers seem reluctant to try new methods," McCord said.

The Nationwise/Guarantee chain is one aftermarket retailer that is out to do things differently. "In five years from now, I don't see things as being very much different—just harder. There will still be a shortage of people. People will move from one job to another, and jobs in retailing do offer more than jobs in fast food," Andrea Hoy, director of personnel for the combined 255-store Nationwise/Guarantee chain said. Based in Columbus, OH, Nationwise/Guarantee employees about 2,500 hourly people, about 500 of them part-time, Hoy said.

Making young people aware of the opportunities available with Nationwise/Guarantee is a big part of Hoy's job and is part of the company's long-range strategy for success. "We do a lot of recruiting at vo-tech schools. That involves going to all the careers days held by local schools where they invite employers in from the community. We also hold our own career days in the stores. At those days, we make all sorts of people available—managers and regional people. We have a real good response to this because of the level of

WHO WILL MIND THE STORES:
WHAT REQUIREMENTS DO THEY HAVE?

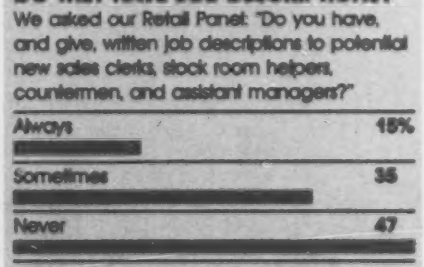
We asked our Retail Panel: "What requirements do you have when you hire new sales clerks, stock room helpers, countermen, and assistant managers?" Most want high school graduates with good driving records.


Be At Least A High School Grad 56%
Be At Least A College Grad 0
Needs No Previous Experience 28
Needs At Least 1 Year's Experience In A Similar Job 24
Needs At Least 1 To 5 Year's Experience In a Similar Job 15

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:
DO THEY HAVE JOB DESCRIPTIONS?

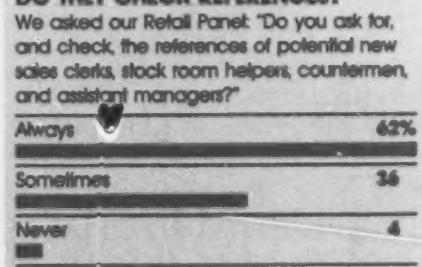
We asked our Retail Panel: "Do you have, and give, written job descriptions to potential new sales clerks, stock room helpers, countermen, and assistant managers?"



Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:
DO THEY CHECK REFERENCES?

We asked our Retail Panel: "Do you ask for, and check, the references of potential new sales clerks, stock room helpers, countermen, and assistant managers?"



Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES?

people involved. We show young people that we are serious in our interest in them. Yes, it takes a lot of preparation, but it is worth it," Hoy explained.

"All of us (aftermarket retailers) have to be real creative in finding new ways to attract new people, other types of people than we have in the past," Hoy added.

"So where do you get young people today?" AWDA's Titens asks. "You go to churches, even prisons, and vo-techs of course. But that can require a professional personnel manager, or at least a store manager who is committed to creative hiring. But most of all, you need to make all of your managers realize that creative hiring is part of each day's job, not just an occasional task to be done when there is a vacancy. Then, it's too late. There are no quick fixes. First you must design a process," Titens said.

Training: What Part Of The Process?

How will training have to change in or-

WHO WILL MIND THE STORES:

DO THEY TEST?

We asked our Retail Panel: "Do you give the following tests to potential new sales clerks, stock room helpers, countermen, and assistant managers?"

Aptitude Test	12%
Job Skills Test	18
Intelligence Test	10
Drug Usage Test	1
Lie Detector Test	5
No Tests	54

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

ON THE JOB TRAINING

We asked our Retail Panel: "Do you give new new sales clerks, stock room helpers, countermen, and assistant managers any on the job training?" The answers of those who said yes ranged from complete company-sponsored programs to pairing up a new hire with an experienced worker.

Yes	90%
No	10

Source: 1988 *Automotive Marketing* Retail Panel

WHO WILL MIND THE STORES:

HOW MUCH WILL THEY MAKE?

We asked our Retail Panel: "What will be the average starting wage of the sales clerks, stock room helpers, countermen, and assistant managers you hire in 1988?" Most said it would be less than $5.00 per hour.

Will Pay Between $3.50 And $4.00/Hour	40%
Will Pay Between $4.01 And $450/Hour	14
Will Pay Between $4.51 And $5.00/Hour	23
Will Pay Between $5.01 And $5.50/Hour	4
Will Pay Between $5.51 And $6.00/Hour	6
Will Pay $6.01 Or More Per Hour	2

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

EASING THE PAIN

Since the pool of potential entry level employees is simply not going to grow in the foreseeable future, just what can store managers do to ease the pain of labor shortages? Very little until industry-wide attitudes on employment change, according to retailing experts. But, in the meantime, there are interim steps that can be taken by every retail aftermarket chain to improve employee hiring and retention.

Our list of actions comes from a variety of sources including the National Retail Merchants Association (NRMA), the Automotive Warehouse Distributors Association (AWDA), the Management Horizons Div. of Price Waterhouse, and the Administrative Management Society (AMS).

- Focus on the 19-year-olds and older.

It has been shown that increasing the average age of a store's employees by only one year will significantly reduce the turnover rate, absenteeism, and lateness. In addition, experience has shown that recent retirees make very good, reliable part-time employees.

- Experiment with employing the mildly handicapped.
- Reach out to "stay at home" mothers by offering child care or child care assistance programs.
- Establish permanent relationships with community institutions.

You could develop an "adopt a school" program to bring interns into your stores to experience work life in a "real life" learning environment.

- Develop a hiring profile.

Seek out, for instance, potential employees who are people-oriented extroverts. Don't rely on "walk-ins" as your primary form of recruitment.

- Direct extended training programs toward educational development, not just routine.

Remember that training should be an on-going aspect of everyone's job, not just one-time "enrichment" or "familiarization" programs. Offer training and tuition reimbursement.

- Develop training programs to modify the attitude and self-image problems of some youthful employees.
- Provide clear evidence of positive top management involvement. Get out there on the sales floor.
- Evaluate leadership style.

Recognize that the "best" organizations feature mutual respect, open communications, understanding, and acceptance of authority. Review the way top management thinks of, and refers to, hourly employees. Reduce distinctions of rank. Encourage open communications between managers and hourly employees.

- Evaluate the value of the work your hourly employees do.

Introduce variety and diversity. Increase job difficulty with tenure and pay; expect more and give more. Support routine and mundane tasks with technology and enlarge the job as a consequence.

- Promote from within whenever possible.

Develop possible "career paths" for hourly employees; from stock room helper, to cashier, to floor salesperson, for example.

- Expand incentive pay systems.

Bonuses for good and excellent job performance, on-time reporting, lack of absenteeism, referrals of potential hires, and other positive job actions build employee loyalty. Also consider profit sharing and bonuses tied to gross margin improvements as alternatives to pushing up the overall pay scale.

- Emphasize quality.

It's hard for an employee to happy in a job where he is part of a company that gives poor service and/or always settles for second best from its managers and employees.

- Encourage employees to participate in community service. In addition to creating a feeling of teamwork, these service activities provide good public relations for the store.
- Provide at least a minimal medical and exercise program.

WHO WILL MIND THE STORES?

der to produce the technically oriented, customer-service-minded employees that the aftermarket will need? That question is up for debate. On one hand, Titens feels that technical training will be very important, but that training without career path development is just so much familiarization. On the other hand, McCord believes that the value of training is out weighed by the value of good recruitment processes. Retailers seem to be somewhere in the middle.

"Training and development are an important factor in what we try do do here," Trak's Garcia said. "If there is more potential to move in the company, workers are more likely to stay. We try to have our managers identify those employees who like the business, who have potential for growth in the company. We train all of those who look promising for first level management positions. There is lot of opportunity for growth," Garcia said.

But that kind of long term commitment to career path training is not always possible. "Of course, this is one place where the larger retailers have quite an advantage. They can offer career paths—from stock boy to cashier to sales person. Realistically, the smaller stores are stuck with $3.50 per hour jobs because the the next step up is owner," Titens admitted.

"I really believe that training in the retail industry has become a Catch 22," NRMA's McCord said. "It may not do much good after all. The industry has not done a good job of encouraging young people to think of it as a career. The industry does not want to spend the time and money to train employees only to have them turn around and leave. But if they don't train them, the employees can't think of it as a career. I'm not sure training does much good, I think recruitment—getting the right people in the stores in the first place—is more important," McCord said.

Nevertheless, automotive retailing demands a level of technical knowledge that other types of retailing do not. And that knowledge still has to be imparted to new employees, somehow.

"I believe that as retailers, we are going to have to figure out how to train faster, in a shorter period of time. Right now, I don't know how to do it but we must make our systems more simplified—like fast food cash registers—so we can train faster and successfully train people with less skills than we are used to," Garcia said.

"If the average stay of a cashier is three months, and it takes you a month to train him on the register, you only have two months of productive time. It will be the same thing with the more skilled workers like countermen. For instance, electronic catalogs will mean anyone can be trained to look up a part number. Our marketplace is not going to change, so retailers must," Garcia added.

The Money Factor

The final thing that will have to change before the aftermarket can meet its future staffing needs, the experts say, is how the aftermarket pays its employees.

More than one half of our Retail Panel members told us they pay established hourly employees between $4.51 and $6 an hour. But 40% of them said the average starting wage for hourly help hired in 1988 will be between $3.50 and $4.00 per hour. Another 19% said those employees hired in 1988 will still be making that amount after six months on the job. Yet many of them also said that what they pay is simply not enough to attract the quantity of qualified employees they say they need to adequately staff their stores. "You get what you pay for," one Retail Panel member noted.

And most retailing experts agree with him. "Because the ability to earn has been reduced, the retail industry no longer employs a career-oriented person. There are more part-time people, there are more part-time wages, and there are more part-time attitudes," NRMA's McCord suggested.

A bill before the House of Representatives that would increase the federally mandated minimum wage from $3.35 to $5.05 an hour could end all aftermarket debate on the value of minimum wage. But the bill won't solve the "you get what you pay for" problem for most retailers. Solving that problem will take re-thinking some retailing basics.

"To begin with, retailers could switch to full-time employees and increase pay levels to increase employee loyalty. We can not continue to pay minimum and get the quality we are seeking," McCord said. "It's not totally unrealistic to reduce the number of people you pay, and pay the rest more," McCord said.

"There are only three ways to make a profit: increase sales, increase gross margins, or increase net profit," Titens said. "Once you realized that labor does not have to be held at $3.35 in order to make goals you can move beyond that trap," Titens added. Both Titens and McCord recommend using bonuses and incentives as alternatives to pushing up the overall pay scale.

But all of these changes may only be stop-gap measures, McCord said. "In the

WHO WILL MIND THE STORES:

HOW MUCH WILL THEY MAKE AFTER SIX MONTHS?

We asked our Retail Panel: "What will be the wage of the sales clerks, stock room helpers, countermen, and assistant managers you hire in 1988 be after they have been with you six months?" Most said it would be less than $5.00 per hour.

Will Pay Between $3.50 And $4.00/Hour	18%
Will Pay Between $4.01 And $4.50/Hour	21
Will Pay Between $4.51 And $5.00/Hour	9
Will Pay Between $5.01 And $5.50/Hour	18
Will Pay Between $5.51 And $6.00/Hour	5
Will Pay Between $6.01 And $6.50/Hour	4
Will Pay Between $6.51 And $9.50/Hour	3
Will Pay $9.51/Hour Or More	3

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

HOW MANY DO THEY PLAN TO HIRE?

We asked our Retail Panel: "How many sales clerks, stock room helpers, countermen, and assistant managers do you plan to hire in 1988?" Most stores, 46%, don't plan to hire anyone this year.

Stores That Plan To Hire 0 Employees	46%
Stores That Plan To Hire 1 Employee	15
Stores That Plan To Hire 2 Employees	21
Stores That Plan To Hire 3 Employees	3
Stores That Plan To Hire 4 To 9 Employees	3
Stores That Plan To Hire 10 Or More	4

Source: 1988 *Automotive Marketing* Retail Panel
Percentages may not total to 100% due to rounding and/or multiple answers.

WHO WILL MIND THE STORES:

IS GOOD HELP HARD TO FIND?

We asked our Retail Panel: "Do you have trouble hiring good, skilled sales clerks, stock room helpers, countermen, and assistant managers to work in your store?" Most said they did.

Yes	71%
No	29

Source: 1988 *Automotive Marketing* Retail Panel

WHO WILL MIND THE STORES?

end, we are all going to have to learn to retail differently, to use our dwindling staffs where they will have the most impact."

The *Automotive Marketing* Retail Panel found that labor is a major area of concern for retailers. In all, 60% agreed with the statement: "It's going to be harder to find good help in 1989 than it was in 1987." And unless things change, the percentage of retailers agreeing with that statement is likely to rise. ■

THE MEDIA IS THE MESSAGE

As a store manager, you've probably had difficult days when it seemed like none of your employees listened to you. You asked a stock clerk to clear out the back room, and he swept the store instead. You asked a sales person to spruce up an end cap, and she built a bulk oil display instead. You probably ended those days saying, "Why don't these people listen to me?"

William Huckabee, president of the Columbus, OH, personnel consulting firm of C.W. Ress & Associates Inc., has wondered the same thing. His company has studied what it calls the "context" of floor personnel (cashiers, sales clerks, and others) and their supervisors. Huckabee defines "context" as a point of view that guides how each person sees, hears, and feels the world around him.

What he found out about context may make your job, the job of communicating clearly with your employees and motivating them to do their best, easier.

Surprisingly, people who work at a particular job within a particular chain essentially all have the same contextual structures while on the job, according to Huckabee. That structure may change somewhat when they are not on the job, but on the job *80% or more* of the people who do that job have the same contextual outlook, Huckabee said. (Incidentally, Huckabee adds that 80% of the people who shop in your store with any frequency also have similar contextual structures to each other.)

Not so surprisingly, floor level personnel and their supervisors *do not* share the same contextual structure. Hence, when it seems like your employees are not listening to you, it may be that they are just not hearing you.

There are at least five "sticking points" where the differences between floor personnel and supervisors' contextual outlooks make a difference.

• Sensory Channel: Hear vs. See

The sensory aspect, or context, of a message has a lot to do with whether the message gets through or not, Huckabee said. Huckabee found that the best supervisors were more auditory than visual. They were good listeners, spoke clearly, and expected that once they spoke their directions to floor personnel that those directions would be understood and followed. On the other hand, Huckabee found that the best floor personnel were visual. To ease this mismatch, Huckabee recommends that supervisors show rather than tell floor personnel what to do.

• Information Scope: General vs. Specific

Closely related to the sensory context is the information scope, the "chunk size," of the content you want to communicate. Huckabee found that the best supervisors tended to deal in larger chunks of ideas than the floor personnel. This is appropriate, Huckabee said, because the sales clerks have lots of little pieces to deal with while the supervisors have larger scopes of responsibility. Supervisors may need to "chop" their ideas into smaller pieces to fit the contextual scope of the floor personnel. And, taking the time to give floor personnel an overview of the "big picture" helps ease communication as well.

• Motivational Mode: Pro-active vs. Reactive

The best supervisors are the ones who initiate action, who figure out what needs to be done and do it. Huckabee calls these people pro-active. On the other hand, Huckabee found that most floor personnel are reactive. They tend to wait and see what needs to be done and then carry it out. Reactive does not mean that when supervisors say "jump" floor personnel ask "how high?" It means that within reasonable limits, floor personnel take what comes. The basic aspect of the reactive mode is not to do, but to think. So when orders go beyond what they think is reasonable, floor personnel may do what is asked but may not do it very well because they have not had time to think about it.

If instructions are communicated in the appropriate context—visual and small—chances are that supervisors' day-to-day orders will be carried out without a hitch, Huckabee said. However, if an order affects floor personnel in a big way, like asking them to stay late or switch days, it can be upsetting to these reactive people, according Huckabee. He recommends that when you have major changes, work hard at including floor personnel in the changes and get them to study them and tell you their reactions. Then later, when the orders finally come down, they will know they have been fully thought out and will be glad to go along with new things.

• Decision Source: Internal vs. External

Supervisors tend to be internal, that is, they are comfortable making decisions. Floor personnel tend to be external, that is, they like to have their decisions validated by an outside source, according to Huckabee. Most of the time, the supervisors makes a decision, and that in itself is enough to validate the decision for floor personnel.

But, according to Huckabee, being external also means that floor personnel tend to need much more recognition and rewards than supervisors. Supervisors *like* to be told they have done a good job, but good supervisors don't live for such recognition. Floor personnel, in general, *need* those pats on their backs. This is not because they are ego maniacs, but because they simply *don't know* they are doing a good job unless they are told.

• Content Orientation: Things vs. People

Floor personnel tend to be people-oriented and they are not always comfortable with the systems and the things of retailing. They are more concerned about relationships; making customers happy on the positive side, and not being embarrassed by supervisors on the negative side. On the other hand, the best supervisors are more systems or things oriented, according to Huckabee. Their concern is not so much about a pleasing relationship with their subordinates, but with getting a task done, meeting a goal. To make the difference workable, the most important thing a supervisor can do is learn to recognize people, sincerely, personally, everyday. Also, remember to blame in private and praise in public, Huckabee said.

"To be successful in communicating effectively with employees is to place the content of the message you wish to get across into a context that allows the employee to share the same meaning," Huckabee said. To put it another way, the communication is the response—what a person *thinks* you mean—to what you say.

REPS MAKE HARD CHOICES

Will the manufacturer's reps be odd men out in the aftermarket as a result of the market changes? Here's a look at the hard choices the reps face.

by **Rosemarie Kitchin**, Editor

In today's retail automotive aftermarket, the three parties in the selling equation—the chains, the manufacturers, and the reps—are all reacting to pressures.

Retail chains are reaching to the bottoms of their pockets for sufficient funds to support their growth. If they're not expanding, auto parts chains are watching with trepidation as the "big chains" move their way.

The manufacturers are seeking to retain acceptable profit margins while still meeting their customers' requests for lower prices, longer payment terms, and higher support in terms of merchandising funds.

And the independent reps who bridge the gap between the suppliers' factories and the retailers' store shelves are faced with some very difficult choices.

Many of those choices have been brought into sharp focus recently by the Pep Boys move to consolidate its western buying offices with its home base buying offices in Philadelphia. That move has cause reps firms on both coasts to scramble. On the West Coast, rep firms are trying to fill in those now missing Pep Boys sales. On the East Coast, native rep firms are reinforcing their customer base against an onslaught of western reps who have followed Pep Boys. The Pep move, the Chief Auto Parts Inc. move from California to Texas, and other moves by retailers (and manufacturers) have caused many rep firms to re-examine how they do business; have caused them to make hard choices.

Some reps have chosen to expand their territories, some have opened new offices to follow relocating customers, somehave merged with other rep firms, and some have added services. Here's a look at the choices some rep firms have made.

Rep Who Expanded

"It's nothing abnormal or unique," David Weiss, Marc Alan & Assoc., River Edge, NJ, said about the current expansion movement among rep firms. "There are one or two rep organizations which are expanding. That's unusual, but there's no groundswell of firms doing this. There are three or four firms which seem to be following large accounts, or annexing territories to maximize their business."

Weiss's firm opened a Mid-Atlantic office this spring to expand its geographic territory into Philadelphia, Baltimore, and Washington where several of the largest accounts are headquartered.

Weiss's firm is not the only one which has opened new offices to expand its marketing area. For instance, Harvey Altman, Pacific Automotive Representatives, North Hollywood, CA, said his firm plans to expand its sales calls into adjoining states, states where it hasn't been before. But he's also emphatic about servicing his firm's current, local customers.

"I'm on record with half a dozen of my manufacturers. I've told them, 'You as a vendor care about service, You want people who know and understand the area, who share and perform in the support systems you need', " Altman said.

While it's expanding its marketing area in contiguous states, Altman's firm has chosen not to follow the Pep Boys' buyers to Philadelphia. "Each manufacturer should keep every rep in every territory involved (with the local customers) because they know and understand the locales," he said. "The issue at hand is there is nobody in Pennsylvania waiting with open arms to embrace new reps coming into the territory."

Dick Salsitz, Dick Salsitz & Assoc., Fullerton, CA, is another rep firm that has expanded. Salsitz found a "nice firm," Joseph Stroum Co. Inc., Seattle, doing business in the states of Oregon and Washington and is in a joint venture with it. Eventually, Salsitz said, the joint effort will be a buy-out. And, he said, "We're lucky. We didn't have any conflicting lines, so there were no choices to make about who to represent. But we are able to expand some lines into our new states."

Unlike others, Salsitz decided not to follow his relocating customers to new headquarter cities. While he thinks that he might have been able to represent his suppliers to a relocating major customer, he said, "But I don't know the little part store down the street from the big customer. I know the two major buyers (at the major account) but couldn't do my suppliers justice with the other accounts in that new area. The only way to do that is to buy an agency. I don't have the money, and I don't want the coast to coast travel, either."

Commenting on the general state of the rep business in California since the Pep Boys move east, Salsitz said, "It's been crazy out here: this thing has been hard for us as it has been for other rep firms."

He talked about an experience he had had when a major customer of his became a multi-territory account. "When Chief opened a warehouse in Texas, I called my factories and told them to give the Texas reps commission for that warehouse. I got

HARD CHOICES

How To Combat Invasion

David Weiss of Marc Alan & Assoc. is president of the Organization of Manufacturers Representatives (OMR), an automotive-plus-other-industries trade group organized in 1986 to combat Wal Mart's policy against buying products through independent manufacturer's reps. We asked what advice he would give to rep firms "who are getting new rep neighbors in their territories."

AM: What should hometown firms do?

Weiss: They should be more aggressive and do an excellent job. It's like a new retail chain coming into your neighborhood. You go head to head with the new competition. You do the better job.

AM: What can firms who choose not to follow their major customers do?

Weiss: They can take on new lines, expand their repping services into other fields and markets (hard parts vs. accessories, allied lines, home improvement or drug chains which stock some automotive products).

AM: How is OMR coming along?

Weiss: Unfortunately, formal activity from OMR seems to be ebbing. There's no support. Until a problem confronts a territory, no one wants to pitch in and help a national organization. Everyone feels that it can't happen to them and 'why should I work for Texas?'

I spoke at a hardware booster conclave. Got polite interest. A month later, one of their accounts tried to stop reps, and then 15 calls came in.

AM: So, what else should OMR do?

Weiss: Not just the members of OMR. All reps should work together to fight any decision to cull us, whether it's by a national account, or by manufacturers who decide we aren't needed for the "super accounts" developing in some territories.

AM: Anything else?

Weiss: Yes, reps are still the most efficient way to get many products to market.

telephone calls from reps in Texas saying 'thank you'. Now that Chief's moved its buying to Texas, I don't get the commission on the Chief warehouse in California. That, too, is the result of phone calls to my suppliers, but this time from Texas reps."

Salsitz said that he's resigned to losing the commission from the big accounts which moved away and will work hard in his existing, remaining accounts, and with his new joint venture firm. "And I'll be content. I'm just a small town boy brought up on handshakes."

Reps Who Opened New Offices

One rep firm, Rognlien, Wright & Harrison, Gardena, CA, had a plan well in place before major customers began to relocate. The firm was created in 1982 by Jim Wright, now its president, and David Rognlien, its chairman. With a combined 28 years of experience with their former company, the two men decided to cover the entire West Coast.

This was a revolutionary move in some ways, because serving the seven Western states along with Alaska and Hawaii meant crossing the boundaries of "holy territories." "Holy territories" is the term for the specific geographic areas manufacturers have assigned to particular reps and reps firms for several decades.

Wright opened the firm's Seattle office in Fall of 1982. The Seattle office serviced the Schuck's account, now the Northern Automotive megachain, which is serviced by the firm's Phoenix office.

"Overall, our goal as a representative for our manufacturers is to service the customer wherever he may be," Wright said. So, when Chief began its move to Texas, the Rognlien-Wright combo followed it to Dallas, opening an office now run by another firm principal, David Bialosky. "A firm principal in our offices is key to our philosophy," Wright said.

"We are a very low-key agency," Wright said. "Our main reason for the Dallas office was the Chief stores throughout our entire territory. Now we have our Pep Boys customers expanding greatly in the Southwest."

It was no surprise that the firm opened an office in the Philadelphia area when Pep Boys consolidated buying for its 200 store chain on the East Coast. Besides, RW&H has about 100 Trak stores in its California neighborhood, and Trak's national buying office in Maryland is within driving distance of the RW&H office near Pep.

East Coast Reps React

The move east has caused a great amount of emotional reaction by rep firms who have been selling and servicing the East Coast division of Pep Boys for years. One City of Brotherly Love rep, who asked not to be identified, said it's the manufacturers' fault. "They're allowing their reps from other territories to open offices in new territories. They have little regard for whether or not the new office's personnel can service the rest of the customers in the territory (besides the major account they've followed).

"Customers other than Pep are reacting negatively to Rognlien's move," this rep said. "And now, we have a New York rep coming into the Philadelphia area. I understand that two warehouse accounts threw the New York guy out."

At least one more Philadelphia rep firm, already doing business with Pep and Trak on the East Coast, is planning on opening offices to service the Pep and Trak stores on the West coast in retaliation for the RW&H move east.

Reps Who Have Merged

Besides expanding or moving, rep firms are merging. Take the case of Arnie Heltzer's Chicago-based firm. His Heltzer Sales Corp., Skokie, IL, merged with Copland, Pollan, Wolf & Assoc., Chicago. Heltzer's Sales Corp. had specialized in retail accounts; Copland's in the traditional and fleet markets. According to Heltzer, now of Heltzer, Pollan, Wolf & Lattanzio in Skokie, IL, "We took the strongest retail agency in the U.S.A. and added the strongest traditional reps in the country. Now we have all channels of distribution covered. Winner plus winner means sure winners, rather than two losers trying to make it right.

"I've bought many a company over the years, and this merger makes more sense than anything I've ever done. The savings we've incurred are more substantial than I thought it would be," Heltzer said.

Heltzer makes the point that while other agencies are expanding territory, his new combined firm isn't. "We aren't doing that. We're concentrating on Illinois and Wisconsin (where we know the markets). Chicago businesses are consolidating rather than leaving the area. We've taken the current territory and the concept of combining our strengths."

California rep Bert Poncher has made his decision about what to do in this changing market. He will stay put but merge with another firm.

Poncher, of Bert Poncher & Assoc., is based in Los Angeles but has offices with a full showroom in Phoenix servicing the Northern Automotive megachain. "We decided to stay put when Pep decided to move its offices. We're a company that has provided service to companies. We've a full service staff in the field. We've been successful in maintaining some, or all, of the commission (to Pep) because we've been providing service.

HARD CHOICES

HOW MANY REP FIRMS DO MANUFACTURERS USE?

The great majority of manufacturer firms on our Manufacturers' Panel use independent rep firms to take their products to market. On average, they hire 16 regional firms to represent them.

Mfgrs. Who Use Fewer Than 12 Rep Firms	12%
Mfgrs. Who Use Between 12-15 Rep Firms	33
Mfgrs. Who Use Between 16-20 Rep Firms	37
Mfgrs. Who Use More Than 20 Rep Firms	18

Source: 1988 *Automotive Marketing* Manufacturers' Panel

HOW MANY REP FIRMS HAVE MANUFACTURERS FIRED?

We asked our Manufacturers Panel if they had terminated any relationships with rep firms as a result of closed or consolidating buying headquarter operations.

Mfgrs. Who Have Terminated One Or More Rep Firms	12%
Mfgrs. Who Have Not Terminated Any Rep Firms	83
Mfgrs. Who Did Not Answer	5

Source: 1988 *Automotive Marketing* Manufacturers' Panel

HOW MANY CHAINS HAVE LEFT?

We asked our Manufacturers Representative Panel if any of their chain headquarters or buyers had left their territory lately. Two thirds told us that they have had customers move away.

Rep Firms Who Have Had Customers Move	67%
Rep Firms Who Have Not Had Customers Move	33

Source: 1988 *Automotive Marketing* Manufacturers' Representative Panel

"I decided I wasn't going to chase around and become a national company. I am not interested in opening up new offices. I don't believe that reps can open up new offices and service customers without conflicts," Poncher said.

"So I exercised my second option and bought an existing agency which had no conflict with my current business," he said.

Like the Heltzer/Copland Chicago area merger, Poncher bought a company, Action Marketing in Kenmore, WA, specializing in the traditional warehouse customers, and among their combined 45 represented lines, there were no conflicts. Poncher has also chosen to be involved in non-automotive retail outlets with automotive products.

Poncher sees continued need for both sales and service activity by reps. "As the chains get larger, and have more stores, they lose the personal touch. The stores will continually be in need of service to help get the merchandise on the floor, tell the help about promotions, so rep staff people who service the stores will provide a tremendous amount of service."

Reps Who Add Services

The rep firms have always prided themselves on their service as well as their sales expertise. Throughout the years, programs such as the "Jobber Hopper" vans which roamed the countryside making jobber calls to support sales to warehouse distributors have helped justify the reps' commission. Reps train store sales help on new products and programs, put up planograms and reconcile inventories, handle cores and defective merchandise, and report back to headquarters buyers about merchandise conditions in their stores. Reps like Poncher, who remembers bringing the first popcorn machine to a Pep Boys grand opening, were also mainstays at those functions.

Now, reps are expanding their service base even more. Early this Summer, T. Pressman & Assoc., Redmond, WA, announced that it added the creative services of a full-service advertising agency to its menu of services for its manufacturers and its accounts. "The demands of today's marketplace have required manufacturers' representatives to step into the next area of professionalism," Terry Pressman said. Pressman's firm's new services include concept and design work on ads in all media, brochures, and POP displays, and the actual production and printing of all promotion material.

The firm's approach takes that of the rep firm Mittleman, Wynn, & Pessin, Los Angeles, one step further. Mittleman's Mad House subsidiary provides concept and design and other creative services, but does not have a printing plant on premises.

But some reps debunk the value of service. "Servicing is a lot of bunk," one rep said. "Selling's the only game.

"Besides that, the rep commission isn't great enough to allow total service. I'll set up new store, wonderful. One time basis. Fantastic. But to think that we're paid enough to go visit 1,000 or 1,200 stores, it's financially impossible."

This rep holds a minority opinion about service. Given the growing number of accounts where headquarters and stores are in more than one "holy territory," members of the *Automotive Marketing* Rep Panel were overwhelmingly in favor of cooperation between rep firms when two territories were involved in the sales/service combination for customers. Nearly one in three firms said they already cooperate with other firms, and many more had considered the advantages of such a financial arrangement.

That cooperation may be necessary, according to Bob Bertouille, Plumley Cos., Paris, TN. "For a manufacturer, it's the HDIS Syndrome, the How Do I Service problem? A new alliance between rep agencies on overlapping territories needs to be developed. Perhaps it's called prime and service: the prime receives the larger commission, and the service less," Bertouille said.

"Manufacturers base prices on certain commission rates. Any change in commission also affects pricing. This is difficult for the customer to accept. They go on the theory 'More sales, less commission.' The old volume theory worked when there were good margin and profit sales. Manufacturers have had to cut margins and profits to maintain accounts.

"The problem has no simple solution. I feel each case must be individually worked out. It appears only the strong will survive here in the aftermarket, the same way as in any business," Bertouille said.

Finding Funds To Pay For Service

Automotive Marketing's contributing editor for the *Supply Side* column, Stuart Landow, of the consulting and sales service firm American Independent Marketing, New York, agrees with Bertouille.

"Manufacturers are reducing commission to save 2% for servicing, to pay for help, whether it's from other rep firms or from other firms which specialize in servicing stores," Landow said.

The reps *Automotive Marketing* talked with agree that manufacturers will make the decision on who to pay and what for based upon their own bottom line. "Manufacturers will do what's best for the manufacturer. He'll do what the business dictates that he do," Poncher said.

"The manufacturer has to make a business decision. What's best for him,"

HARD CHOICES

DO YOU COOPERATE?

We asked our Manufacturers Representative Panel if they cooperate with other rep firms in servicing stores inside their territories with headquarters outside their territory. Nearly one third have such an arrangement.

Rep Firms Who Cooperate With Reps From Headquarters Territories	32%
Rep Firms Who Do Not Cooperate With Reps From Headquarters Territories	66
Rep Firms Who Did Not Answer	2

Source: 1988 *Automotive Marketing* Manufacturers' Representative Panel

HOW MANY HAVE OPENED NEW OFFICES?

We asked our Manufacturers Representative Panel if they have opened new offices to service old customers who have relocated their buying functions. Several firms have opened new offices.

Rep Firms Who Have New Offices Near Old Customers	7%
Rep Firms Who Have Not Opened New Offices	91
Rep Firms Who Did Not Answer	2

Source: 1988 *Automotive Marketing* Manufacturers' Representative Panel

Wright of RW&H said.

Manufacturers, too, have some hard choices. They have contracts with reps who have worked efficiently for them in one area and who want commission from customers in areas where the suppliers are already paying commission to other firms.

What are their options? Some are already splitting commissions between the selling reps (those calling upon the buying locations) and the servicing reps (those with the stores in their territories).

George Goddard of Tomco Inc., St. Louis, is one manufacturer who's made that business decision and is comfortable with it. "We still rely on reps to service the account in their territory whether the buying decision is made elsewhere or not. California reps receive a partial commission to service Chief while the Dallas rep receives a split commission on that California business," Goddard said.

Some suppliers are paying all the commission to the selling rep. And then some reps are making similar decisions on their own level in the distribution channel. Some selling reps have subcontract deals with other rep firms to service the stores; the selling firms pay the servicing firms.

Salsitz had a meeting at this year's Big "I" show with one of his suppliers and an East Coast rep firm for the same supplier. "The other firm told us that it had an agreement with a West Coast rep firm (not us) to service the Pep Stores on our shared line. We brought up the fact that the other West Coast firm had some lines competitive to those in the stores which it was going to service, and that there was a threat to some of the other lines. The factory, which I won't name, is a good rep factory which doesn't want members of the same family fighting. The factory saw the righteousness of not having competing reps servicing. Now we service those stores on the line and we split the commission."

Weiss thinks that the industry should develop a formula for protecting reps' business when a customer moves away. "I think there should be a national program to protect the old rep for a year. It could be put together by the Automotive Parts & Accessories Association (APAA) rep council. There should be a grace period in the standard contract which the council is working on," Weiss said.

APAA's rep council, which Weiss mentioned, is the first of three vertical interest groups being organized by the national trade association. The other two will be affinity groups for APAA member retailers and APAA member manufacturers.

In addition to being active on the APAA council, Weiss is also president of the Organization of Manufacturers Representatives (OMR), a separate business group organized in 1986. OMR was formed to combat the Wal Mart policy of eliminating reps and their commissions from the parts-buying equation for that discount store chain. (Weiss, as OMR president, has some advice for rep firms whose businesses are being affected by customer relocation and new rep competition in our accompanying story.)

Contract Guidelines

The contracts between manufacturers and the independent representative firms which take their manufacturers' products to market are complex, to put it simply. Both sides in this business arrangement have many items which should be specified in their contractual agreement.

To make the negotiation and agreement process easier, the APAA's rep council has put together comprehensive guidelines for rep/supplier agreements. A committee of APAA manufacturer and APAA rep members participated in the development of the guidelines, now available from APAA.

"We knew that both sides had to be represented as we put this document together," Bill Schelbe, Powell/Schelbe & Assoc. Inc., Memphis, TN, said. Schelbe is chairman of the guidelines task force.

The multi-page document details items such as territory, market segment definitions, the duties and responsibilities of both parties, compensation, conflicts, termination, and compensation upon termination. The guidelines also have a glossary and several attachments.

More information is available from the rep council's staff liaison at APAA, Larry Hecker, (301) 459-9110.

Putting Another Player On The Field

There may be another way to solve the problem of sales and service to customers. In his May Supply Side column, Landow proposed an organization called the NASSA, the National Automotive Sales/Service Associates, which would efficiently consolidate the resources of the rep firm's sales power, service power, office suport, etc., to sell and service. Our Rep Panel reacted positivly to the idea, but doubted its practicality. Altman "agrees with the concept." Several other respondents wondered if an individual exists who could cope not only with the complexities of overlapping and competing lines and firms but "also the egos involved."

There are some service companies already in operation. They may be the solution to the problem, but they add a fourth player to the retail auto parts chain selling equation, and where's the money to pay that new player going to come from? ■

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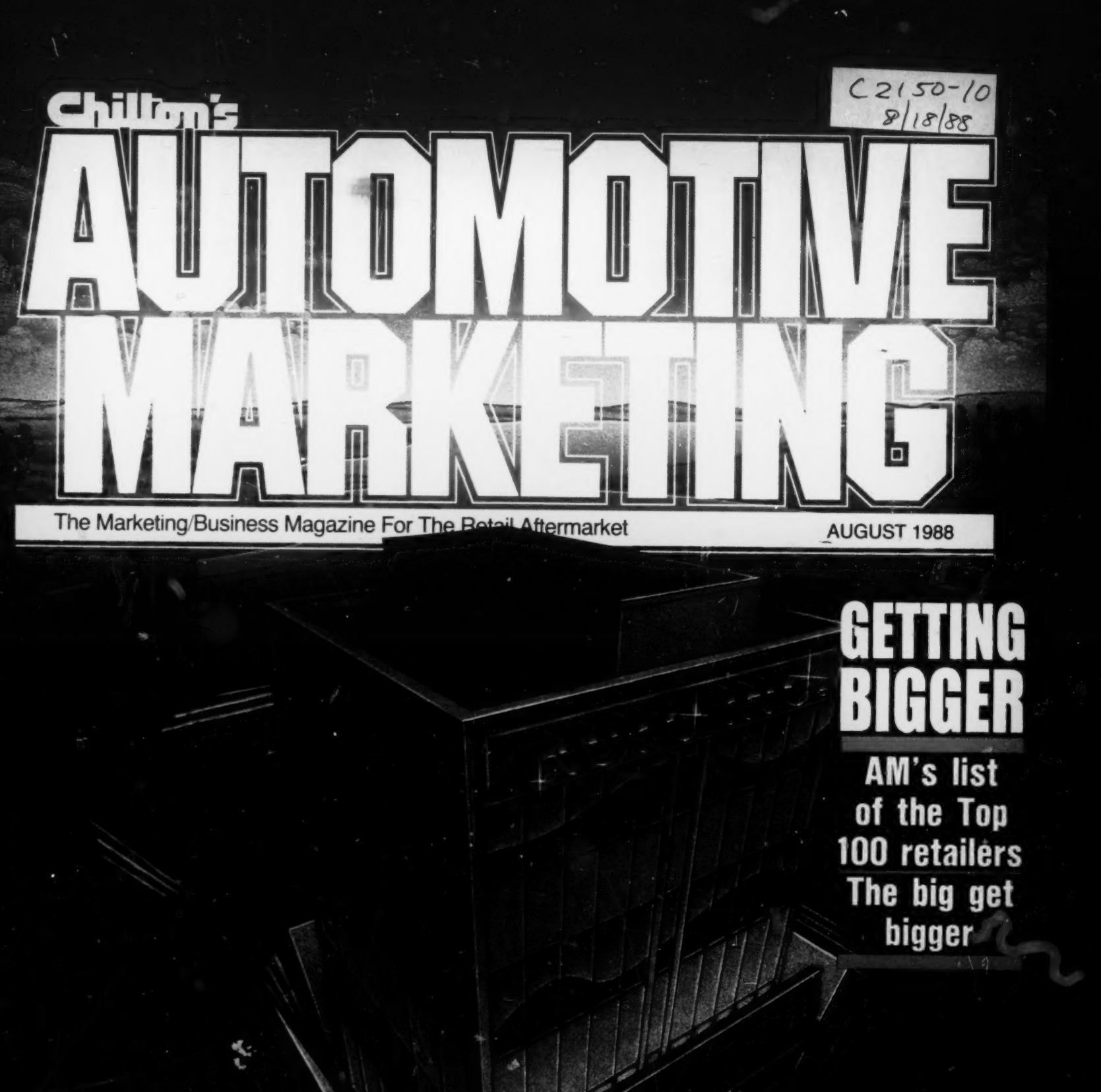
The Marketing/Business Magazine For The Retail Aftermarket

AUGUST 1988



GETTING BIGGER

AM's list of the Top 100 retailers The big get bigger

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Our cover illustration this month, and the illustration on page 31, was done by freelance artist Randall M. Hamblin.

PUBLISHER'S NOTES

GEARING UP

Some people try to wind down after big efforts like last month's APAA Show in Chicago. Here at *Automotive Marketing* magazine, we're still wound up!

We're excited about the challenges facing both retailers and suppliers. This month we look at those challenges from the standpoint of meeting the demands of consumers seeking automotive accessories. Contributing editor Edward L. Kaufman has brought a fine perspective to the art of selling DIY accessories to consumers who, while more demanding, are also more affluent.

And, we nodded our heads, somewhat in amazement but also in acknowledgment of all the industry changes, when we checked out Research Editor Philip Katcher's list of the top 100 retail auto parts chains. There has been a lot of movement since we last published this list in June 1987.

Check out the statistics in our "numbers" supplement. You'll find the names and models of prime DIYers' cars, and vehicle registrations by state or district, and industry sales figures, too.

Our regular departments, Market Line, Detailing The Market, our *AM* Index, all have lots of good information for you.

We hope you enjoy our issue as much as we liked putting it together for you! ■

Sarah Frankson
Publisher

DETAILING THE MARKET

IN-STORE FOCUS

STEEGO PARTS CORP./ DIV. STEEGO CORP.
Headquarters:
319 Clematis St., West Palm Beach, FL 33401
(407) 655-9700
Stores: 60
Total Chain Sales: $74,000,000 (est.)
Average SKUs: 12-14,000
Founded: 1955 as Sterling Precision Co.

Here is a company with a distinguished history, and an unusual split store concept when it comes to parts sales.

Steego came from a combination of Sterling Engine, Buffalo, NY, and Precision Instrument, Long Island City, NY, called Sterling Precision Co. That name was changed to Steego Corp. in 1978. All of the firm's stores, which had been acquired at various times, were consolidated under one name as Steego Auto Parts stores at the same time.

At present, Steego Corp. is the parent company of Steego Parts Corp., which in turn has two subsidiaries. Steego Auto Parts is its retail arm, operating out of New England (mostly in Maine), Ohio, and Florida. Steego Parts is the wholesale warehouse system which supplies Steego Auto Parts stores, and independent jobbers, too.

The 43 flagship stores for Steego Auto Parts, located in New England, are headed by division manager Patrick Poulin. Three warehouses and 40 stores are in Maine; there's another warehouse and two stores in Massachusetts; and the remaining northeastern outlet is in Rhode Island.

Lawton.

The stores range in size from 1,800 sq. ft. to 10,000 sq. ft., but average around 4-5,000 sq. ft. But the square footage is deceptive. The stores are *split*, half retail, with emphasis on the DIY trade; half "wholesale items that the average DIYer would not be shopping for," Poulin said.

Each store's SKU count is split "about 50-50" between DIY and professional items. The DIY sections typically carry lighting; accessories such as wipers, seat covers, replacement blades, deflector shields, tools, and light truck items. Batteries are displayed in this section, but must be asked for at the parts desk. There are no tires in the Steego Parts stores, with the exception of motorcycle tires, merchandised in a full-line motorcycle section.

Each store's wholesale section carries engine and chassis parts, and so forth. These items are merchandised in bins 7'-high and 3'-wide, with seven shelves per bin. "There are rows and rows of bins," according to Poulin, "for the hard-core guy."

A mechanic looking for a coil spring, Poulin said, would go directly to the parts counter. A parts desk hides the hard parts from the DIYers; counter persons help any professionals who need parts, and also help direct the DIYer to appropriate areas of the store.

In order to gain more professional customers, Steego Auto Parts has 20 salesmen who call on independent repair shops, and body and paint shops. Delivery vehicles are part of the wholesale program.

The split stores encourage DIYers, too, Poulin says. "We used to have very shabby stores," he said. "We did not want DIY. But as that segment grew, we started to respond."

The company's response to DIYers also includes store hours. Ten Maine stores are open seven days a week. The rest of the stores are open from 7:30 am-5:30 pm on weekdays; 8:00 am-4:00 pm on Saturdays. Signage is uniform, with graphics aimed at capturing DIYers' attention.

Advertising to DIYers is controlled from the company's home-base state of Florida. Poulin does have input, however, on what gets advertised: "We tell the agency what we'd like to advertise, we OK it here. We do have input; we OK every item," he said.

That seems to reflect the general nature of Steego.

"Steego is unique because we're all the same but a little bit different," Poulin said. "For instance, on major lines such as exhausts or gaskets, all of Steego is standardized. But on other items, they carry one brand in Florida; another in Maine. If we can pitch our case, Lawton (Robert Lawton, president of Steego Parts Corp. and senior vice president of Steego Corp.) lets us do it. In other words, it's quite well controlled, but we have a lot of flexibility."

DETAIL

76%

of all Americans say they'd spend more money on a high quality product rather than saving money by buying a cheaper one, according to Cambridge Reports, Inc. (Cambridge, MA).

PROFILE: STRUT OR SHOCK ABSORBER DIYers

Drawing from the 1988 *Automotive Marketing Consumer Automotive Repair Study*, we look at DIYers who purchased and installed shock absorbers or MacPherson struts during the previous 12 months.

			Age					Income				Hours Per Month Spent On DIY			
Total	Male	Female	-25	25-34	35-44	45-54	55 +	-$20K	$20-30K	$30-40K	+40K	-1 Hrs	1-5 Hrs	6-10 Hrs	11 + Hrs
100.0%	79.0%	21.0%	14.7%	29.8%	24.0%	16.0%	15.5%	24.8%	22.1%	22.9%	22.8%	9.3%	59.0%	18.3%	11.9